United States
Department of
Agriculture

Economics
and Statistics
Service

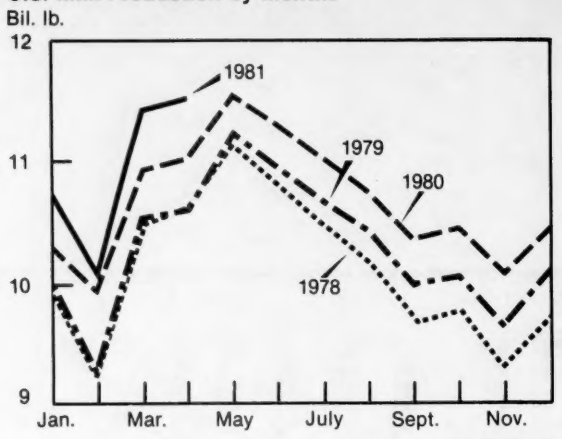
DS-385

June 1981

Dairy

OUTLOOK & SITUATION

U.S. Milk Production by Months



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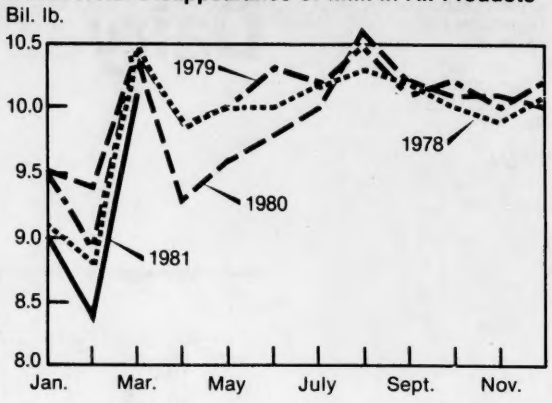
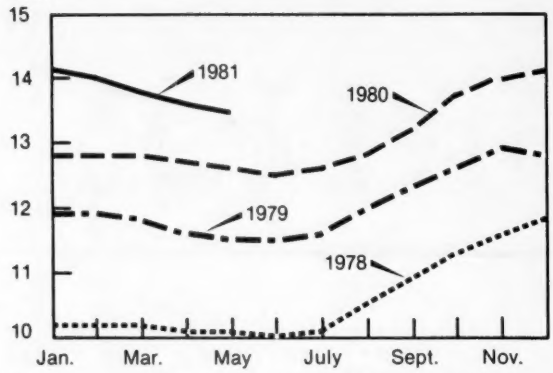
Commercial Disappearance of Milk in All Products*



*Milk equivalent.

Milk Prices*



*U.S. average price received by farmers for deliveries to plants and dealers.

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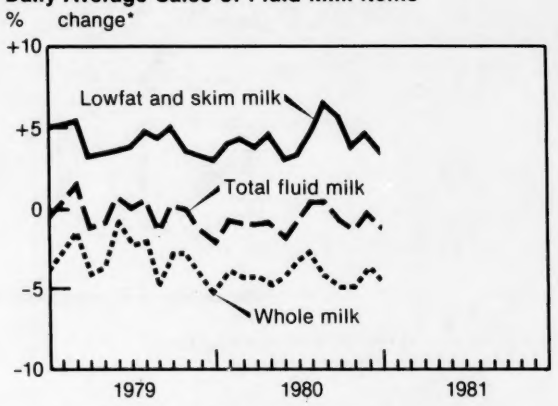
Daily Average Sales of Fluid Milk Items



*From year earlier. Adjusted for calendar composition.

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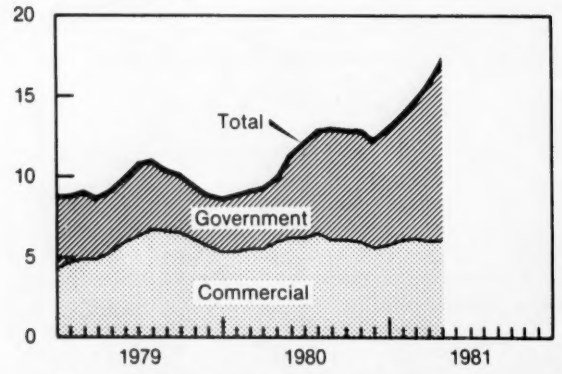
Dairy Products Stocks°



*As of first of month. *Milk equivalent, fat-solids basis.

USDA

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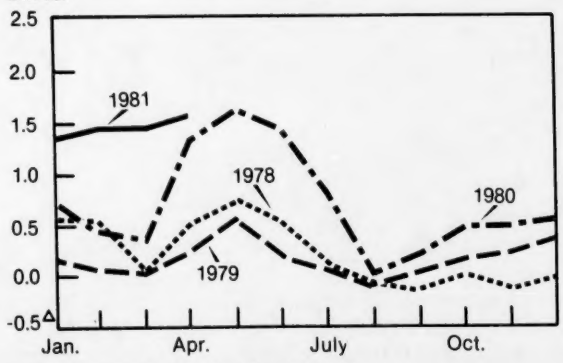
U.S.D.A. Dairy Product Purchases*



*Net removals, milk equivalent, fat-solids basis.
ΔNegative figures denote domestic sales exceeded purchases.

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In This Issue

	Page
Production	5
Milk Output Remains Large	5
Feed Prices Steady Since Early 1981	5
1980 Marketings—A Record	6
Production Gains To Continue	8
Price And Income	9
Farm Milk Prices Fall	9
No Mid-Year Support Price Change	11
Cash Receipts Higher	11
Wholesale Product Prices Still Steady	11
Retail Price Gains Slow	11
Utilization	12
Butter-Powder and American Output Higher	12
More Manufactured Products In 1980	13
Commercial Use Weakens	13
Per Capita Use Expected To Be Steady	15
Fluid Product Sales Steady In 1980	15
Dairy Product Stocks Large	21
Government Purchases Large	21
Federal Order Summary	25
More Producers In 1980	25
New Orders	25
Mergers And Expansion	27
Reconstituted Milk Pricing Petition	27
Foreign Trade And Trends	27
Imports Above Last Year	27
USDA Issues Casein Study	27
EC Sets New Dairy Support Prices	30
CCC Sells Dairy Products Overseas	30
USDA Reports On Price Undercutting Investigations	30
Special Article: Costs Of The Dairy Price Support Program	33
List Of Tables	36

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The *Dairy Situation* will be published in March, June, September and December during 1981.

Summary

Milk production will probably rise from year-earlier levels through this summer and into late fall. Commercial use of dairy products, which has been weak, is expected to improve. However, wholesale dairy product prices will likely show little seasonal rise during the rest of this year. If supports are raised on October 1, wholesale prices would increase. Farm and retail prices during 1981 are expected to average slightly less than a tenth above a year ago.

Milk production for the first 5 months of 1981 was up 4.3 percent (adjusted for last year's extra day). May marked the 25th straight month that milk production exceeded year-ago levels, the result of 70,000 more milk cows and a 30-pound increase in output per cow. Because the support price was not raised on April 1, and because of uncertainty about the support level this fall, culling of marginal cows may increase. However, with the large number of replacements available, the herd will likely remain near present levels, but be below year-ago numbers by yearend.

With little if any improvement in the milk-feed price relationship expected during the third quarter, and only some seasonal improvement likely in the fourth, concentrates fed and gains in output per cow could be limited during the second half of the year. Milk production for all of 1981 will likely be up 2 to 4 percent from the 128.4 billion pounds in 1980.

Prices paid to dairy farmers have declined since January, reflecting large supplies and the seasonal decline in fat content. From Janaury to May, the manufacturing grade milk price decreased 40 cents; however, after adjusting for fat test it was unchanged, but 32 cents

below the established support level ($13.10 per cwt. at 3.67 percent fat, or $12.80 with 3.5 percent fat). The all milk price in 1981 is expected to average 7 to 9 percent above the $13.00 reported for 1980.

Cash receipts during the first 5 months of 1981 rose an estimated 12 percent from the same period in 1980. During all of 1980, a 4.3-percent gain in marketings and a 8.6-percent increase in the average returns per cwt. pushed cash receipts from farm milk marketings to $16.58 billion, up 13 percent from 1979. Dairy farm marketings reached a record 126 billion pounds in 1980; marketings of Grade A milk, (eligible for the fluid market) accounted for 85 percent of the total.

Wholesale prices of butter, American cheese, and nonfat dry milk have remained mostly unchanged from mid-October to mid-June, reflecting the combined effects of the foregone April 1 support price increase, large commercial stocks, weak consumer use, and expanded milk production. The mid-June prices were slightly below the USDA support purchase prices.

With milk and dairy products likely to be in abundant supply during the coming months, year-to-year price gains at retail may abate somewhat this summer. For the year, retail dairy prices are expected to average 8 to 10 percent higher, compared with a likely increase of around 10 percent in the all food price index.

Butter production during January-April was up about 11 percent from a year ago and the highest output for that period since 1965. American cheese production for the first 4 months was up about 14 percent. About 8 percent more milk was used to produce manufactured dairy products during January-April than a year ago. For all of 1980, manufactured dairy products took a record 74.1 billion pounds of milk.

During January-March, commercial disappearance of dairy products on a daily average basis, decreased dramatically—down 5 percent. With April use up about 6 percent from April 1980, disappearance during April-June should be above last year's weak second quarter. In addition use should increase this summer, as an expected slowing in retail price gains combined with a likely improvement in consumer incomes and higher meat prices will probably make dairy products relatively more attractive. On balance, use should be up less than 1 percent in 1981.

None of the per capita data series in this issue reflect the 1970 to 1980 Census Population Revisions.

Dairy Situation

PRODUCTION

Milk Output Remains Large

Milk production for the first 5 months of 1981, on a daily average basis, was 4.3 percent greater than during the same period in 1980. Output in May was 3.4 percent greater than last year, the 25th straight month that milk production exceeded year-ago levels. The May production gain resulted from a 30-pound increase in output per cow and 70,000 more milk cows than a year earlier.

The additional milk cows in May resulted from the dairy herd expansion that began during spring 1980 and continued to January 1981 (figure 7). A reduced culling rate and a large number of replacement heifers allowed the herd to grow by about 100,000 cows from April to January. Since January the dairy herd has been nearly unchanged.

The increased output per cow in May reflects the continued heavy feeding of grain and other concentrates and the continued improvement in dairy herd productivity. Dairy farmers on April 1 reported feeding 16.1 pounds of grain and other concentrates per cow per day—equal to a year ago, but up 3 percent from January 1, 1981. During 1980, dairy farmers fed 5,260 pounds of grain per cow, up 190 pounds from 1979. Meanwhile, milk output per cow in 1980 was 11,875 pounds, a gain of 387 pounds from 1979. Thus, the additional milk per cow was more than two times the increase in grain fed per cow in 1980.

Milk production in the five major milk-producing States during the first 5 months of 1981, on a daily average basis, was up substantially in Minnesota (8.9 percent), California (6.4 percent), and Pennsylvania (6.0 percent) and modestly in Wisconsin (3.1 percent) and New York (3.0 percent). The combined gain of these five States accounted for more than half of the total U.S. expansion in production.

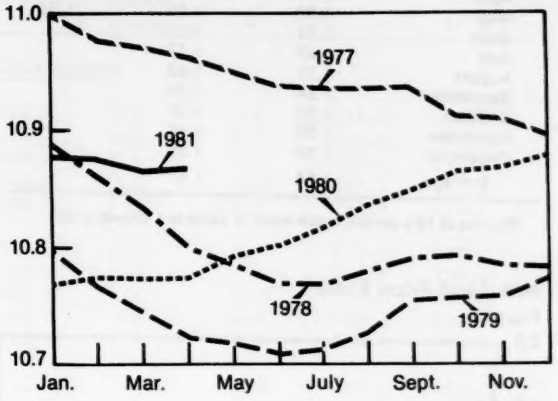
Of the 33 reporting States, only one reported milk production below year-ago levels during May. All farm production regions reported increased May-to-May milk output. Leading the way was the Mountain region with a 8.7 percent gain, and the Pacific region up 4.1 percent.

U.S. milk production

Month	1980	1981	Change
	Million pounds		Percent
January	10,307	10,739	+4.2
February	9,970	10,903	+1.2
March	10,946	11,426	+4.4
April	11,013	11,544	+4.8
May	11,664	12,064	+3.4
June	11,321		
July	11,036		
August	10,782		
September	10,364		
October	10,455		
November	10,076		
December	10,491		
Total	128,425		

Milk Cows on Farms

Hundred thousand head



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Utility cow prices, Omaha

Month	1979	1980	1981
		Dollars per cwt.	
January	47.33	47.94	41.61
February	50.81	51.22	43.65
March	52.94	48.80	43.12
April	57.00	45.73	42.93
May	55.51	42.78	42.39
June	50.60	44.06	
July	47.80	43.33	
August	48.33	45.53	
September	49.65	46.56	
October	47.71	45.93	
November	46.98	42.92	
Average	50.10	45.73	

Feed Prices Steady Since Early 1981

The average price of 16-percent protein dairy ration in mid-May was $200 per ton, down $1 from mid-February, but up $35 (21 percent) from a year ago. With May milk prices down 50 cents per 100 pounds from February, the milk-feed price relationship declined from 1.40 in February to 1.35 in May (figure 8). Relative to a year ago, the milk-feed price ratio was down about 12 percent in May.

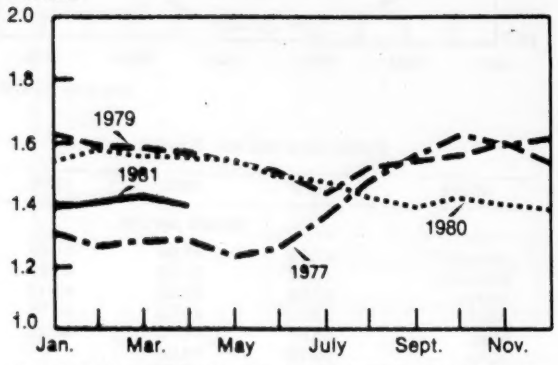
In mid-June, No. 2 yellow corn at Chicago was reported at about $3.50 per bushel, unchanged from mid-February, but up 80 cents from a year ago. The market price of corn is now expected to remain near present levels until

Milk-feed price ratio[1]

Month	1979	1980	1981
		Pounds	
January	1.62	1.54	1.39
February	1.59	1.57	1.40
March	1.58	1.55	1.42
April	1.56	1.55	1.39
May	1.53	1.53	1.35
June	1.51	1.50	
July	1.43	1.47	
August	1.51	1.42	
September	1.54	1.39	
October	1.55	1.42	
November	1.59	1.40	
December	1.54	1.38	
Average	1.54	1.47	

[1]Pounds of 16% protein ration equal in value to 1 pound of milk.

Milk-Feed Price Ratio*



*Pounds of 16% protein ration equal in value to one pound of milk sold to plants and dealers.

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harvest, but will react to changes in demand and crop conditions this summer. This is because low carryover stocks are anticipated this fall. Even though corn disappearance for 1980/81 is now expected to be down about 7 percent from last year's record use, carryover corn stocks are likely to be about half of last year's because of the poor harvest.

It is still early to have any firm indications of corn supplies for the 1981/82 crop year. If farmers slightly exceed March 1 intentions and trend yields are achieved, production would be about 7.7 billion bushels, up over 1 billion from last year. Thus, even with some increase in corn use, carryover stocks would likely increase and put downward pressure on prices during the 1981/82 corn crop year.

Like corn, the current soybean supply was reduced substantially because of a poor 1980 harvest, and soybean prices have been above a year ago. However, weak domestic demand and a slow export pace may combine to keep downward pressure on soybean prices over the next few months.

Projected plantings of around 69 million acres and trend yields would mean production would be about 2.0 billion bushels, up about 200 million from last year. With use and production about in balance, there may not be much change in prices during the 1981/82 soybean crop year.

In mid-June, 44-percent protein soybean meal (Decatur) was quoted at about $205 per ton, down about $15 from mid-February, but up about $45 from a year ago. If hog producers follow their March 1 farrowing intentions, and with broiler producers in a profit squeeze, domestic use of meal is likely to slow throughout the rest of the marketing year. In addition, meal exports will face increased competition from Southern Hemisphere supplies, and thus meal prices may not change much from current levels. With both corn and soybean meal prices expected to be steady or down some, but subject to changes in demand and summer weather, costs of dairy concentrate ration can be expected to remain near present levels until this year's feed crops are harvested.

Mid-May prices received by farmers for baled alfalfa hay averaged $83 per ton, up about $6 from a year earlier and from January. Prices ranged widely; from $105 in Texas (up 39 percent from last year), to $43 in Michigan, up 21 percent. Hay producers indicated in March that they would increase acreage by almost 3 percent in 1981, but timely rains will be needed to overcome last winter's drawdown in stocks. Meanwhile, pastures nationwide had a rating of 80 on June 1, just below the 1970-79 average. However, conditions varied from very poor in the Southeast and poor to fair in the Northern Plains to excellent in the Lake States.

During 1980, the annual average value of concentrates fed per 100 pounds of milk produced was $3.29, up 11.5 percent from 1979. With the amount of concentrates fed and milk output up nearly proportionately, all of the increased value of concentrates fed resulted because of their higher price. However, even though feed costs were higher, an 8.3-percent increase in milk prices received by dairy farmers brought returns over concentrate costs to $9.71 per 100 pounds of milk, 7.3 percent above the previous year. On a per cow basis, the value of concentrates fed during 1980 was $390, up $51 (15 percent) from 1979.

1980 Marketings—A Record

Dairy farmers marketed a record 126 billion pounds of milk in 1980, up 5 billion (4.3 percent) from 1979 (table 1). Last year's marketings were 14 billion pounds more than in 1973, the low point for the 1970's.

Whole milk sold to plants and dealers continued to take a larger share of total production in 1980, 97 percent compared with 96.8 percent in 1979 and 94.1 percent a decade earlier. Meanwhile, milk sold directly to consumers was up about 3 percent but continued to be 1.2 percent of production. Use of milk on farms where produced in 1980, at 2.3 billion pounds, was 1.8 percent of total production, down 129 million from 1979 and 1.7 billion from a decade ago. The use of milk on farms has continued to decline because there are fewer people on farms and less milk is fed to calves.

Table 1--Milk used and marketed by farmers, United States, specified years, 1965-80

Year	Milk used on farms where produced				Milk marketed by farmers				Total milk production on farms 1/ 3/
	Fed to calves 1/	As fluid milk or cream 2/	For farm-churned butter	Total 3/	Sold to plants and dealers: As whole milk	Sold to plants and dealers: As farm-skimmed cream	Sold directly to consumers 4/	Total 3/	
	Billion pounds								
1965	2.1	3.4	.5	6.0	112.7	3.7	1.8	118.2	124.2
1966	2.0	3.1	.4	5.5	109.7	3.0	1.7	114.4	119.9
1967	1.9	2.9	.3	6/5.2	109.4	2.4	1.8	113.6	118.7
1968	1.8	2.6	.2	4.7	108.8	2.0	1.8	112.6	117.2
1969	1.7	2.4	.2	4.3	108.5	1.6	1.7	111.8	116.1
1970	1.7	2.2	.1	4.0	110.1	1.2	1.7	113.0	117.0
1971	1.6	2.1	N.A.	3.8	112.2	1.0	1.6	114.8	118.6
1972	1.6	1.9	N.A.	3.5	114.2	.8	1.5	116.5	120.0
1973	1.6	1.8	N.A.	3.4	109.9	.7	1.5	112.1	115.5
1974	1.6	1.6	N.A.	3.2	110.4	.4	1.5	112.4	115.6
1975	1.6	1.5	N.A.	3.1	110.5	.3	1.6	112.3	115.4
1976	1.6	1.4	N.A.	3.0	115.5	.2	1.5	117.2	120.2
1977	1.5	1.3	N.A.	2.8	118.2	.2	1.5	119.8	122.7
1978	1.5	1.2	N.A.	2.7	117.2	.1	1.5	118.8	121.5
1979	1.4	1.0	N.A.	2.5	119.4	N.A.	1.5	120.9	123.4
1980 5/	1.4	1.0	N.A.	2.3	124.5	N.A.	1.5	126.1	128.4
	As a percentage of total milk production								
	Percent								
1965	1.7	2.7	.4	4.8	90.7	3.0	1.4	95.2	100.0
1966	1.7	2.6	.3	4.6	91.5	2.5	1.4	95.4	100.0
1967	1.6	2.4	.3	4.4	92.2	2.0	1.5	95.7	100.0
1968	1.5	2.2	.2	4.0	92.8	1.7	1.5	96.1	100.0
1969	1.5	2.1	.2	3.7	93.5	1.4	1.5	96.3	100.0
1970	1.5	1.9	.1	3.4	94.1	1.0	1.5	96.6	100.0
1971	1.3	1.8	N.A.	3.2	94.6	.8	1.3	96.8	100.0
1972	1.3	1.6	N.A.	2.9	95.2	.7	1.3	97.1	100.0
1973	1.4	1.6	N.A.	2.9	95.2	.6	1.3	97.1	100.0
1974	1.4	1.4	N.A.	2.8	95.4	.3	1.3	97.2	100.0
1975	1.4	1.3	N.A.	2.7	95.8	.3	1.4	97.3	100.0
1976	1.3	1.2	N.A.	2.5	96.1	.2	1.2	97.5	100.0
1977	1.2	1.1	N.A.	2.3	96.3	.2	1.2	97.6	100.0
1978	1.2	1.0	N.A.	2.2	96.5	.1	1.2	97.8	100.0
1979	1.1	.8	N.A.	2.0	96.8	N.A.	1.2	98.0	100.0
1980 5/	1.1	.8	N.A.	1.8	97.0	N.A.	1.2	98.2	100.0

1/ Excludes milk sucked by calves.
2/ Includes farm-churned butter.
3/ May not add due to rounding.
4/ By producers who sell only milk from their own herds. Also includes milk produced by institutional herds.
5/ Preliminary.
6/ Includes some milk used for other purposes on farms or not utilized.

Milk-feed relationship, 1965-80

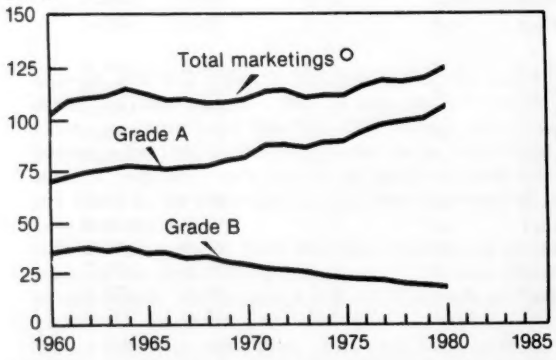
Year	All milk sold to plant	Ration value	Milk-feed ratio[1]	Milk-feed difference	Returns over concentrate cost
	Dol. per cwt.	*Dol. per cwt.*	*Pounds*	*Dol. per cwt.*	*Dol per cwt. of milk*
1965	4.23	3.03	1.18	1.20	3.12
1966	4.81	3.15	1.30	1.66	3.63
1967	5.02	3.23	1.35	1.79	3.78
1968	5.24	3.10	1.47	2.14	4.03
1969	5.49	3.15	1.54	2.34	4.21
1970	5.71	3.28	1.53	2.43	4.32
1971	5.87	3.44	1.49	2.43	4.41
1972	6.07	3.52	1.52	2.55	4.60
1973	7.14	4.88	1.28	2.26	5.02
1974	8.33	6.23	1.22	2.10	5.68
1975	8.75	6.25	1.31	2.50	6.12
1976	9.66	6.31	1.37	3.35	7.03
1977	9.72	6.21	1.39	3.51	7.11
1978	10.60	6.08	1.53	4.52	8.00
1979	12.00	6.68	1.55	5.32	9.05
1980	13.00	7.42	1.48	5.58	9.71

[1] Pound of 16% protein ration equal in value to 1 pound of milk.

Manufacturing grade milk marketed

State	1970	1975	1979	1980
		Billion pounds		
Wisconsin	8.2	7.2	6.6	5.9
Minnesota	6.6	4.8	4.1	4.0
Iowa	2.9	2.1	1.6	1.6
Missouri	1.0	1.0	.7	.7
South Dakota	1.1	1.0	1.0	1.1
Idaho	1.0	.9	1.0	1.1
Nebraska	.8	.7	.5	.5
California	.9	.7	.5	.5
Kentucky	.8	.5	.4	.4
Illinos	.7	.5	.4	.5
United States	28.6	22.1	19.7	19.1

Grade A and Grade B Milk Marketings*



*Grade A is eligible for the fluid market, grade B is manufacturing grade.
○Milk sold to plants and dealers.

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Grade A milk, eligible for the fluid market, in 1980 accounted for 85 percent of all milk sold to plants and dealers, up from 84 percent in 1979 (figure 9). In recent years, the share of Grade A milk has increased by 1 percentage point per year. In 1980, total Grade B milk marketings were down 0.6 billion pounds, a decrease of 3 percent. As in the past, more than three-fifths of the 19.1 billion pounds of Grade B milk sold during 1980 was in Wisconsin, Minnesota, and Iowa.

Production Gains To Continue

Milk production is expected to rise from year-earlier levels through this summer and into late fall. Milk cow numbers during January-May were stable on a month-to-month basis, but about 1 percent above year-ago levels. Because the April 1 support price was not raised, and there is uncertainty about the level of support for this fall, some dairy farmers may now decide that their marginal cows may not generate enough income to offset increased production expenses and so may raise their culling rate. However, with the large number of replacements available, the dairy herd will likely remain near present levels through yearend, but be below year-ago numbers by yearend. For the year, milk cow numbers will likely average about 1/2 percent above 1980.

Milk output per cow, on a daily average basis was up 3.5 percent during January-May. But with concentrate feeding on April 1 unchanged from a year ago, gains should start to slow. With little improvement if any in the milk-feed price relationships expected during the third quarter, and only some seasonal improvement expected for the fourth, gains in concentrate feeding will likely be limited during the second half of the year. However, the improved genetics of the dairy herd and the removal of marginal cows will both moderate the effect of limited concentrate feeding. As a result, gains in output per cow are likely to slow in the second half. For all of 1981 output per cow is expected to average 2 to 3 percent higher than 1980. On balance, milk production gains can be expected until late fall, although at a slowing rate. Production will likely be up 2 to 4 percent from the 128.4 billion pounds in 1980.

Fluid grade milk as percent of all milk sold by farmers to plants and dealers, 1950-80[1]

Year	Atlantic		North Central		South Central	Western	United States
	North	South	West	East			
				Percent			
1950	97	83	37	44	62	59	61
1955	98	87	34	48	67	64	63
1960	99	90	31	55	73	74	67
1965	99	93	28	60	78	82	69
1966	99	94	28	61	80	84	69
1967	99	94	29	60	80	84	70
1968	99	94	31	62	81	84	70
1969	99	95	35	66	83	85	73
1970	99	96	38	68	84	85	74
1971	99	96	41	69	86	85	76
1972	99	96	43	71	86	85	77
1973	99	97	44	71	88	86	77
1974	99	98	46	73	89	88	79
1975	99	98	49	75	89	88	80
1976	99	98	52	76	91	90	81
1977	99	98	54	76	89	91	82
1978	99	98	57	76	91	91	83
1979	99	98	58	77	92	91	84
1980	100	98	59	80	93	91	85

[1]Percentage eligible for fluid use (Grade A in most States). Includes fluid grade milk used in manufactured products.

PRICES AND INCOME

Farm Milk Prices Fall

Prices received by dairy farmers for milk have declined since January, reflecting the normal decline in fat content and the seasonal increase in production. In May, farmers received an average of $12.60 per cwt. for manufacturing grade milk, down 40 cents from January. However, after adjusting for butterfat test, the Grade B price was unchanged since January. Compared with a year ago, the May manufacturing price was reported up 7.7 percent, while the May 1980 price was 8.3 percent greater than 1979.

Since April 1980, the manufacturing grade milk price after adjusting for fat test was continuously below support, averaging 38 cents below during the period. In May, prices were 32 cents below the established support level of $13.10 per cwt. of milk testing 3.67 percent fat (at 3.5 percent fat, the support level is $12.80). The continued failure to reach support reflects the large supply of milk and little competition for raw milk supplies between dairy product manufacturers.

For July, minimum Federal order Class I prices will average $14.71 per cwt., down 3 cents from June. Since February, these minimum Class I prices (which are based on the Minnesota-Wisconsin manufacturing grade milk price for the second preceding month) were very stable, ranging from $14.71 in February to $14.77 in May. As a result, the over-order payments negotiated by cooperative associations changed little in recent months. The estimated average over-order payment in Federal order markets for Class I milk gradually dropped from 61 cents per cwt. in February to 57 cents in May, but increased slightly to 59 cents in June.

Milk prices received by farmers

Month	All sold to plants			Manufacturing grade		
	1979	1980	1981	1979	1980	1981
			Dollars per 100 pounds			
January	11.90	12.80	14.10	10.90	11.80	13.00
February	11.90	12.80	14.00	10.80	11.70	12.90
March	11.80	12.80	13.80	10.80	11.80	12.90
April	11.60	12.70	13.60	10.80	11.80	12.70
May	11.50	12.60	13.50	10.80	11.70	12.60
June	11.50	12.50		10.70	11.70	
July	11.60	12.60		10.80	11.60	
August	12.00	12.80		11.10	11.80	
September	12.30	13.20		11.40	12.20	
October	12.60	13.70		11.60	12.70	
November	12.90	14.00		11.70	12.90	
December	12.80	14.10		11.70	13.00	
Average	12.00	13.00		11.10	12.00	

Dairy farmers received an average of $13.50 per cwt. for all milk sold during May, up 7 percent from a year ago, but down 60 cents from January. However, after adjusting for fat test, May was only 23 cents below January. The all-milk price will be up about 8 percent during the first half of 1981 compared with first-half 1980.

With milk production expected to remain large relative to use during the second half of the year, little seasonal strengthening in prices can be expected. In addition with

Table 2--Cash receipts from farm marketings of milk and cream, United States, by production regions, 1974-80 1/

State and region	1974	1975	1976	1977	1978	1979	1980 2/
				Million dollars			
Maine	59.3	59.0	65.9	66.4	71.9	80.6	90.4
New Hampshire	30.8	30.7	33.8	34.1	37.4	41.6	45.2
Vermont	176.2	183.8	212.2	210.6	234.1	266.3	300.8
Massachusetts	58.0	53.6	58.8	58.8	60.9	67.2	71.9
Rhode Island	6.0	5.7	6.0	5.7	5.9	5.9	5.9
Connecticut	60.9	56.4	62.6	63.1	67.3	74.2	80.2
New York	811.9	843.9	970.7	964.8	1,057.9	1,226.3	1,383.2
New Jersey	49.4	45.6	53.0	53.0	54.4	57.9	62.2
Pennsylvania	620.5	620.2	734.2	766.5	826.9	966.5	1,078.5
Delaware	11.4	11.6	13.6	14.0	14.1	15.5	16.6
Maryland	133.6	143.2	156.0	160.2	170.1	187.1	203.3
NORTHEAST	2,018.0	2,053.7	2,366.8	2,397.2	2,600.9	2,989.1	3,338.2
Michigan	353.9	370.2	441.8	446.3	490.9	565.8	642.8
Wisconsin	1,394.4	1,498.4	1,808.2	1,888.0	2,125.4	2,505.1	2,758.3
Minnesota	666.7	674.6	784.8	816.7	880.0	1,026.2	1,173.7
LAKE STATES	2,415.0	2,543.2	3,034.8	3,151.0	3,496.3	4,097.1	4,574.8
Ohio	355.8	369.2	427.2	424.8	445.7	504.6	548.6
Indiana	186.5	186.8	215.7	218.9	227.9	262.6	283.1
Illinois	197.1	199.2	228.1	233.9	245.4	280.2	323.4
Iowa	290.2	301.6	342.1	350.2	384.3	440.8	504.0
Missouri	227.4	223.4	263.7	264.6	271.8	311.8	356.0
CORN BELT	1,257.0	1,280.2	1,476.8	1,492.4	1,575.1	1,800.0	2,015.1
North Dakota	62.7	60.8	73.5	75.7	80.2	91.3	102.5
South Dakota	111.9	109.8	134.1	138.1	142.1	170.1	202.7
Nebraska	106.7	107.7	121.9	116.8	124.6	144.6	162.7
Kansas	111.1	115.5	129.5	133.0	142.8	155.4	172.9
NORTHERN PLAINS	392.4	393.8	459.0	463.6	489.7	561.4	640.8
Virginia	151.9	161.0	186.2	190.0	200.8	233.7	262.9
West Virginia	28.3	28.5	32.3	31.8	33.6	38.6	42.1
North Carolina	139.1	146.5	157.4	163.0	167.0	188.0	215.6
Kentucky	178.8	181.7	209.3	213.1	215.7	246.6	272.6
Tennessee	162.6	166.7	191.6	201.3	208.8	242.8	286.0
APPALACHIAN	660.7	684.4	776.8	799.2	825.9	949.7	1,079.2
South Carolina	52.0	51.0	56.0	56.8	58.3	65.3	74.0
Georgia	116.5	117.6	137.0	134.4	146.5	169.6	188.4
Florida	211.4	212.4	235.0	237.3	249.0	285.7	317.4
Alabama	68.8	66.0	68.0	69.2	68.4	75.8	81.4
SOUTHEAST	448.7	447.0	496.0	497.7	522.2	596.4	661.2
Mississippi	79.9	79.8	85.5	84.7	89.9	99.5	109.7
Arkansas	58.6	56.3	66.0	67.5	75.4	85.6	96.1
Louisiana	102.8	104.0	115.0	112.4	117.9	130.0	136.1
DELTA STATES	241.3	240.1	266.5	264.6	283.2	315.1	341.9
Oklahoma	100.4	90.5	103.5	106.5	114.4	127.9	144.8
Texas	305.8	292.0	340.8	351.0	390.9	433.6	492.1
SOUTHERN PLAINS	406.2	382.5	444.3	457.5	505.3	561.5	636.9
Montana	22.6	21.3	22.9	26.5	29.3	32.7	36.9
Idaho	112.5	120.7	134.8	138.2	155.2	187.5	226.3
Wyoming	9.6	8.4	9.8	10.9	11.2	13.3	15.9
Colorado	76.1	69.6	78.8	79.0	87.9	98.6	108.5
New Mexico	33.5	32.7	40.1	43.0	49.4	62.3	79.0
Arizona	73.7	70.2	84.8	86.9	94.9	110.6	130.6
Utah	75.0	73.1	80.8	81.8	90.6	104.7	122.5
Nevada	14.0	14.3	17.6	18.7	18.8	22.3	27.2
MOUNTAIN	417.0	410.3	469.6	485.0	537.3	632.0	746.9
Washington	195.4	184.4	216.2	231.3	266.1	316.5	353.7
Oregon	84.8	81.9	93.6	96.5	106.9	124.0	140.2
California	894.3	939.6	1,033.1	1,126.3	1,164.8	1,384.5	1,693.1
PACIFIC	1,174.5	1,205.9	1,342.9	1,454.1	1,537.8	1,825.0	2,187.0
Alaska	2.4	2.6	2.6	2.7	2.4	2.1	2.0
Hawaii	19.4	20.5	21.9	23.2	23.7	24.9	27.1
UNITED STATES	9,453.6	9,664.3	11,158.0	11,488.1	12,400.1	14,354.4	16,251.0

1/ Totals may not add due to rounding.
2/ Preliminary.

high carrying charges on inventories likely, prices probably won't strengthen, because of a buildup in commercial stocks. However, if commercial use rises above a year ago and if milk production gains taper off, prices could improve somewhat. The support price and the purchase and sell-back prices effective October 1 will also impact on milk prices later this year. On balance, farm milk prices for 1981 will likely average 7 to 9 percent above the $13.00 per cwt. reported for 1980.

No Mid-Year Support Price Change

Even though previous law required a mid-year adjustment to the milk support price to refect changes in the Parity Index, no adjustment was made. This was because Congress passed, and the President signed, legislation in late March canceling the April 1 scheduled upward adjustment in the milk price support. In addition, no change in the manufacturing allowance was made, thus the calculated CCC purchase prices for butter ($1.49 per pound, Chicago), American cheese ($1.395 per pound), and nonfat dry milk (94 cents per pound) remained unchanged. However, the sellback price was raised on April 1 from 105 percent of CCC current purchase price to 110 percent.

Cash Receipts Higher

During the first 5 months of 1981, cash receipts from the sale of milk were estimated to have increased 12 percent from 1980. This resulted from expanded marketings and higher prices. For all of 1981, cash receipts will likely be up 9 to 14 percent from 1980.

During 1980, a 4.3-percent gain in marketings and an 8.6-percent increase in the average return per cwt. of milk pushed cash receipts from farm milk marketings to $16.58 billion, up 13 percent from 1979 (table 2). Sales of whole milk and cream to plants and dealers contributed 98 percent, while the remainder came from direct sales to consumers. All farm production regions posted increases, ranging from 9 percent in the Delta States to 18 percent for the Pacific States.

Wholesale Product Prices Still Steady

Prices in the butter, American cheese, and nonfat dry milk wholesale markets have remained at nearly the same levels from mid-October to mid-June, reflecting the combined effects of no April 1 support price increase, large commercial stocks, weak consumer use, and expanded milk production. The mid-June prices were slightly below support purchase prices.

In mid-June, Chicago Grade A butter prices were quoted at about $1.47 per pound, nearly unchanged from the October price. Nonfat dry milk (high heat, Central States area) was priced at 92.6 cents per pound, also nearly unchanged since mid-October—down 3/4 cent. Meanwhile, the price of American-type cheese in 500 pound barrels (Wisconsin assembly points) remained unchanged, while 40-pound blocks were reported at about $1.38 per pound-down 3 cents from October. Edible dry whey (nonhygroscopic, Central States area) was priced near 13 cents per pound, a decrease of 7 cents since mid-Octoer.

Wholesale prices of butter, nonfat dry milk, and cheddar cheese may rise little if any before September. Manufacturing milk supplies will remain more than ample given the current weak demand. Thus, until commercial use improves, there will be little upward pressure on prices given the current dairy product stock and production levels.

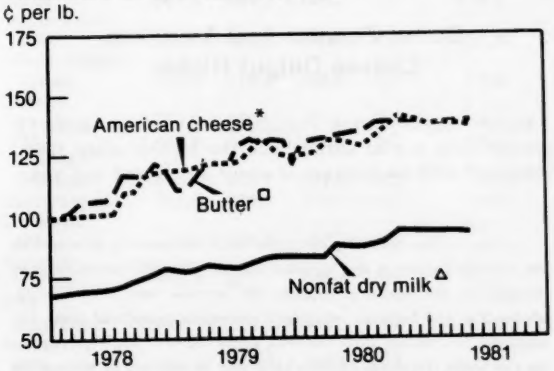
In September, wholesale product prices may rise in anticipation of higher purchase prices. The basic legislation that was enacted in 1949 requires a minimum level of support at 75 percent of parity. It seems likely that a support at 75 percent would result in a support price higher than the current $13.10 per cwt. and thus, higher product purchase prices. However, the Secretary of Agriculture has requested and Congress is considering legislation that would lower the minimum to 70 percent. However, even with this legislation the support price would likely remain at its present level.

The April wholesale dairy product index, as reported by the Bureau of Labor Statistics (BLS), was 245.8 (1967=100), up 8 percent from a year ago (figure 10). Year-over-year increases in the index have slowed down in recent months reflecting steady wholesale prices since October and no mid-year support price increase. Until demand for dairy products improves, year-to-year gains should continue to slow.

Retail Price Gains Slow

The decline in farm milk prices since January and stable wholesale dairy product prices since last fall were reflected in a slowing in year-to-year retail milk and dairy product price increases during February, March, and April (figure 11). The BLS retail dairy products index for April was 243.5 (1967=100), up only 0.9 index

Wholesale Dairy Product Prices



□ Grade AA Chicago. * 40-lb. block, Wisconsin assembly points.
△ High-heat, central-states.

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points from March and 1.4 from February. Relative to a year ago the index was up 10.3 percent in February, 10.1 percent in March, and 9.5 percent in April.

With milk and dairy products to be in abundant supply during coming months, year-to-year price gains at the grocery store should be less than the April increase. For the year, retail dairy prices are expected to average 8 to 10 percent higher, compared with a likely increase of about a tenth in the all food price index.

The retail price reported by BLS for a half-gallon of fortified fresh whole milk during April was $1.116, up 9 percent from a year ago. During 1980, the average retail price of whole milk was about $1.05 per half-gallon. The 1980 farm value as reported in *Developments in Farm to Retail Price Spreads for Food Products in 1980* (AER-465) was 58 cents, up about 6 cents from 1979—about 55 percent of the retail price. The farm-to-retail price spread was 47 cents, up 3 cents from 1979. The spread increased 7.5 percent in 1980, considerably below the 13.5-percent jump in the marketing cost index.[1]

Retail prices for butter as reported by BLS aveaged $1.991 per pound in April, up a tenth from a year ago. During 1980 the average retail price for butter was about $1.88 per pound. The 1980 farm value, as reported by AER-465 was about $1.25 per pound, up about 14 cents from 1979—about 67 percent of the retail price. The farm-to-retail margin for butter was 62 cents in 1980, 5 cents more than in 1979. The 9-percent increase in the spread occurred largely in the processing margin which totaled 18.6 cents in 1980, 4 cents (27 percent) more than in 1979.

BLS reported that the retail price for yogurt during April was 49.2 cents per half-pint, up 7 percent from last year. The average ice cream price was $2.024 per half-gallon in April, up 14.4 percent.

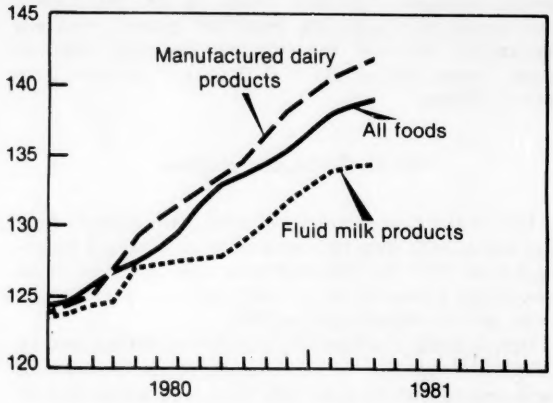
Retail dairy product prices

Item	Index base	Apr. 1980	Oct. 1980	Jan. 1981	Apr. 1981
Consumer Price index[1]	1967=100	242.5	253.9	260.5	266.8
All food	1967=100	249.1	262.4	268.6	272.9
All dairy products[1]	1967=100	222.4	232.7	240.1	243.5
Fluid milk and cream	12/77=100	124.7	129.1	133.0	134.6
Whole milk	1967=100	204.9	211.3	218.2	220.4
Other	12/77=100	123.5	129.1	132.1	134.5
Manufactured dairy products	12/77=100	127.0	134.9	139.6	142.0
Butter	1967=100	219.9	238.9	242.7	244.3
Cheese	12/77=100	126.2	133.4	138.2	140.6
Frozen desserts	12/77=100	128.6	138.0	143.6	146.7
Other	12/77=100	124.0	129.0	133.3	135.7

[1]For all urban consumers starting January 1978.

Retail Food and Dairy Products Prices

Dec. 1977 = 100



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UTILIZATION

Butter-Powder And American Cheese Output Higher

Butter output during January-April was up about 11 percent from a year earlier, and the highest since 1965, compared with an increase of about 14 percent last year.

The January-April increases reflected the larger milk supply available for manufacturing during 1980 and 1981. For May, preliminary weekly data show output unchanged to up slightly from a year ago. With large amounts of skim milk available from butter production, nonfat dry milk output during January-April increased almost 18 percent from the 1980 level.

American cheese production during January-April was up about 14 percent, compared with a gain last year of about 7 percent. However, there is some indication that additional resources have been added to the industry to overcome last year's capacity problem during flush. American cheese production during April was the largest on record and preliminary weekly data show May output up about 3 percent from April and about 9 percent from last year.

Meanwhile, manufacture of other varieties of cheese was up 3.5 percent in April, but for the year is down

[1]The marketing cost index (MCI) was recently developed by the USDA's Economics and Statistics Service. The MCI measures price changes for the inputs of supplies and services used in processing, wholesaling, and foodstore retailing of domestically produced foods. For additional information about the MCI, single copies of *The Food Marketing Cost Index* (Technical Bulletin 1633) may be obtained by writing the Economic Indicators and Statistics Branch, Room 278, GHI Building, Economics and Statistics Service, U.S. Department of Agriculture, Washington, D.C. 20250.

Production of selected manufactured dairy products, 1980-81

Item	January-April		Change from year earlier	
	1980	1981[1]	1980	1981[1]
	Million pounds		*Percent*	
Butter	419.1	465.0	+14.1	+11.0
Cheese:				
American	765.9	872.3	+6.9	+13.9
Other	525.8	523.6	+7.0	-0.4
Cottage, creamed	281.0	261.5	+0.1	-6.9
Canned milk	248.1	235.8	-2.5	-5.0
Dry whole milk	26.5	27.6	-12.0	+4.2
Ice Cream (Mil. gal.)	257.3	255.9	+3.5	-0.5
Milk equivalent[2]	23,823	25,691	+7.9	+7.8
Nonfat dry milk	357.4	420.2	+32.1	+17.6

[1]Preliminary. [2]Total all reported manufactured products.

Wisconsin out-of-state milk shipments

Month	1980		1981	
	Loads	Volume	Loads	Volume
	Number	*Thousand pounds*	*Number*	*Thousand pounds*
January	156	7,332	4	188
February	70	3,290	7	329
March	20	940	2	94
April	0	0	0	0
May	0	0	0	0
June	0	0		
July	119	5,593		
August	146	6,862		
September	190	8,930		
October	67	3,149		
November	8	376		
December	6	282		
Total	782	36,754		

slightly. Production of evaporated and condensed milk for the January-April period was off about 5 percent, while ice cream was nearly unchanged, and dry whole milk was up about 4 percent.

During the first 4 months of the year, almost 8 percent (1.9 billion pounds) more milk was used in making manufactured dairy products than a year ago. This reflects the fact that manufacturing use is the residual claimant of milk supplies. Furthermore, a sharp decline in Wisconsin spot out-of-state shipments of milk was indicative of the excessively large supply of milk available, as little additional fluid supplies were needed in other markets.

With continued heavy supplies of milk expected through this summer, butter-powder output should continue to be large, but may abate relative to a year ago. The additional American cheese capacity may contribute to this slowing as more milk relative to a year ago goes into cheese production.

More Manufactured Products In 1980

Last year's record milk production and a small decline in fluid sales on a fat basis resulted in larger supplies of milk available for manufacturing. A record 74.1 billion pounds (milk equivalent, fat solids basis) were utilized in manufacturing dairy products, up about 5.7 billion (8.3 percent) from last year's record (table 3).

Increased output of butter (exclusive of production from whey cream) absorbed about 3.4 billion pounds more milk than in 1979. While American cheese used 1.9 billion pounds more milk in 1980, other-than-American cheese used 0.5 billion more. Ice cream on a net milk equivalent basis used 0.5 billion pounds more milk.

The major declines in milk use during 1980 were in canned milk, down 143 million pounds, and fluid milk products (milk equivalent, fat solids basis), down 453 million pounds. However, on a product weight basis fluid milk product use was about the same as 1979. In addition, fluid milk and cream sales (fat basis) accounted for 39.6 percent of the market supply in 1980, compared with 41.6 percent in 1979.

Commercial Use Weakens

Commercial disappearance of dairy products decreased dramatically during the first quarter. After adjusting for an extra day of use in 1980 due to leap year, use was down 5 percent (table 4). However, for the January-April period use was down 2.4 percent, as April use was up about 6 percent.

January-March sales of butter were down 23 percent, on a daily average basis, but after adding in the 48-

Production of selected manufactured dairy products, annual 1978-80

Item				Change from year earlier	
	1978	1979	1980[1]	1979	1980
	Million pounds			*Percent*	
Butter	994.3	984.6	1,145.3	-1.0	+16.3
From whole milk	514.9	508.2	648.7	-1.3	+27.6
From residual cream	479.4	476.4	496.6	-0.6	+4.2
Cheese					
American	2,074.2	2,189.9	2,374.6	+5.6	+8.4
Other	1,445.5	1,527.3	1,608.5	+5.7	+5.3
Creamed cottage	870.5	839.7	822.6	-3.5	-2.0
Canned milk	787.9	796.1	724.7	+1.0	-9.0
Dry whole milk	74.6	85.3	82.7	+14.3	-3.0
Ice cream (mil gal.)	815.4	811.1	829.8	-0.5	+2.3
Milk equivalent[2]	65,944	68,403	74,085	+3.7	+8.3
Nonfat dry milk	920.4	908.7	1,160.7	-1.3	+27.7

[1]Preliminary.
[2]Total all manufactured products.

Table 3--Use of market supply of milk, United States, 1970-80

Year	Fluid use	Butter 1/	Cheese		Creamed cottage cheese	Evaporated and condensed milk 2/	Dry whole milk	Frozen dairy products, net	Other factory products	Total factory products 3/	Miscellaneous 4/	Market supply of milk 5/
			American	Other								
	Billion pounds (milk equivalent)											
1970	52.0	23.9	14.2	5.3	1.2	3.3	0.5	11.0	0.5	60.0	1.5	113.5
1971	51.9	23.9	15.1	5.8	1.3	3.2	.5	11.0	.7	61.6	1.5	115.0
1972	53.2	22.7	16.4	6.4	1.3	3.1	.6	11.0	.8	62.3	1.1	116.7
1973	52.4	18.6	16.8	6.8	1.1	2.9	.6	11.1	.7	58.7	1.9	113.0
1974	50.5	19.3	18.6	7.1	1.0	2.8	.5	11.2	.8	61.3	.7	112.5
1975	51.1	19.9	16.5	7.4	1.0	2.7	.5	11.9	.7	60.5	.9	112.5
1976	51.5	19.4	20.6	8.2	1.0	2.5	.6	11.6	.7	64.7	1.3	117.5
1977	51.4	21.9	20.5	8.4	1.1	2.4	.5	11.7	.7	67.1	1.6	120.0
1978	51.2	19.7	20.7	9.2	1.1	2.3	.5	11.7	.7	65.9	1.8	119.0
1979	51.4	19.4	21.9	9.7	1.0	2.3	.6	11.7	1.8	68.4	1.4	121.2
1980 6/	50.9	22.8	23.8	10.2	1.0	2.1	.6	11.9	1.7	74.1	1.3	126.3
	Percentage of total market supply											
	Percent											
1970	45.8	21.1	12.5	4.7	1.1	2.9	.4	9.7	.4	52.9	1.3	100.0
1971	45.1	20.8	13.1	5.0	1.1	2.8	.4	9.6	.6	53.6	1.3	100.0
1972	45.6	19.5	14.1	5.5	1.1	2.7	.5	9.4	.7	53.4	.9	100.0
1973	46.4	16.5	14.9	6.0	1.0	2.6	.5	9.8	.6	51.9	1.7	100.0
1974	44.9	17.2	16.5	6.3	.9	2.5	.4	10.0	.7	54.5	.6	100.0
1975	45.4	17.7	14.7	6.6	.9	2.4	.4	10.6	.6	53.8	.8	100.0
1976	43.8	16.5	17.5	7.0	.9	2.1	.5	9.9	.6	55.1	1.1	100.0
1977	42.8	18.2	17.1	7.0	.9	2.0	.4	9.8	.6	55.9	1.3	100.0
1978	43.0	16.6	17.4	7.7	.9	1.9	.4	9.8	.6	55.4	1.5	100.0
1979	42.4	16.0	18.1	8.0	.8	1.9	.5	9.6	1.5	56.4	1.2	100.0
1980 6/	40.3	18.1	18.4	8.1	.8	1.7	.5	9.4	1.3	58.7	1.0	100.0

1/ Excludes milk equivalent of whey cream, includes milk equivalent of residual cream from fluid and other uses. 2/ Canned and bulk. 3/ May not add due to rounding. 4/ Minor miscellaneous uses and any inaccuracies of independently determined use items. 5/ Milk marketed by farmers, net imports of ingredients such as frozen cream, butterfat-sugar mixtures and "ice cream", and net change in storage cream. 6/ Preliminary.

percent gain in April, sales for the first 4 months were down only 12 percent (table 5). Sales during the first quarter were weak compared with first quarter 1980, as butter printers and other wholesale buyers probably purchased substantial quantities of butter last year in anticipation of the April 1 purchase price increase, but delayed their purchases until after April 1 this year.

American cheese use during January-April was down 2.4 percent (adjusted), probably showing the effect of relatively low priced meats and the switch to cheese types other-than-American. Other-than-American varieties sales during the first 4 months were up 4.2 percent. Ice cream and cottage cheese sales were both down during January-April.

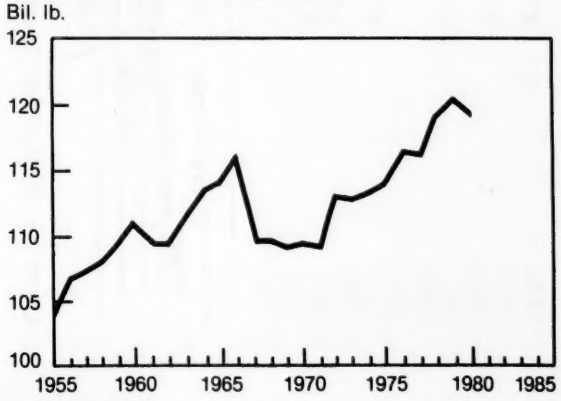
Fluid milk sales during the first 4 months of the year declined slightly, less than 1 percent from year-ago levels when adjusted for calendar composition. Note than the adjustment of sales data for calendar composition is a means of adjusting sales for a particular day, to that of an average day for a particular month. Since the sales of fluid milk products are generally higher on days toward the end of the week, a month with more Thursdays or Fridays may have greater sales than a month with more Sundays. Thus, variations in sales data between months may occur because of the number of types of days (Sunday's, Monday's, etc.) that are within a particular month. Therefore, by adjusting the sales data for calendar composition, the effect of the number of the types of days is eliminated and direct comparisons can be made between the same periods in different years.

Changes in January-April dairy sales from year earlier

Item	Change
	Percent
Total milk[1]	-3.2
Manufactured products:	
American cheese	-3.3
Other cheese	+3.4
Cottage cheese[2]	-3.8
Butter	-12.5
Ice cream	-0.5
Ice milk	-1.2
Canned milk	+3.4
Nonfat dry milk	-25.8
Fluid products	-0.8
Whole milk	-4.9
Skim and lowfat milk	+4.9
Cream and mixtures	[3]+0.2

[1]On a milk equivalent, fat-solids basis.
[2]Creamed and low-fat.
[3]January-March.

Total Commercial Disappearance*



*Milk in all products.

Neg. ESS 72-81(6)

Commercial use of milk and dairy products on a milk equivalent basis should increase from last year's weak second quarter. Without the April 1 support price increase, wholesale and retail price gains should continue to slow this summer. In addition, higher consumer incomes and higher meat prices will make dairy products relatively more attractive. However, if support prices are raised on October 1, the resulting higher retail prices could slow sales at yearend. On balance, use should be up less than 1 percent in 1981.

Per Capita Use Expected To Be Steady

Per capita consumption of all dairy products (on a fat solids, milk equivalent basis) will likely be unchanged during 1981. Even though purchases by USDA under the price support program will increase, CCC donations likely will not. Even though commercial use will be up, so will the population and per capita consumption will likely hold steady. Per person use of milkfat decreased to 20.4 pounds in 1980 from 20.5 in 1979, a decrease of 0.5 percent for the average American (table 6). Larger per capita consumption of cheese and ice cream nearly balanced out the lower per person use of fluid products. Butter, cottage cheese, canned milk, and dry whole milk were unchanged from 1979 levels (table 7). On a milk fat basis, 1980 civilian per capita consumption of milk and dairy products totaled 554 pounds down 1 percent (5 pounds) from 1979. Per capita use of milk solids-not-fat was 37.4 pounds, a decline of 1.6 percent from a year earlier.

Fluid Product Sales Steady In 1980

Sales of fluid milk and cream, on a product weight basis totaled 55.8 billion pounds in 1980, nearly unchanged from 1979 (table 8). This flat sales trend, underway since 1975, has resulted in small but steady declining per capita sales.

Sales per person of fluid milk and cream products were 252 pounds during 1980, down 3 pounds (1.2 percent) from 1979, and 14 pounds since 1975. An increase in sales of cream and specialty items only partially offset a decline in beverage milk sales (figure 13).

The trend toward increased lowfat milk consumption continued in 1980, as per capita sales of lowfat products were up 4 pounds, while whole milk sales are down 7 pounds (table 9). Per person sales of skim milk, which

Table 4--Commercial disappearance: Total milk, annual and by quarters, 1979-81 1/

Item	1979	1980					1981 2/				
		By quarters				Annual	By quarters				Annual
		1st	2nd	3rd	4th		1st	Apr.	3rd	4th	
		Billion pounds									
Production	123.4	31.2	34.0	32.2	31.0	128.4	32.3	11.5			
Farm use	2.5	.6	.6	.6	.6	2.3	.6	.2			
Marketings	120.9	30.6	33.4	31.6	30.4	126.1	31.7	11.4			
Beginning commercial stocks	4.5	5.4	5.6	6.3	6.1	5.4	5.8	6.0			
Imports	2.3	.4	.4	.5	.9	2.1	.4	.2			
Total supply	127.7	36.4	39.4	38.4	37.4	133.6	37.9	17.6			
Ending commercial stocks	5.4	5.6	6.3	6.1	5.8	5.8	6.0	6.1			
Net removals	2.1	1.5	4.4	1.5	1.4	8.8	4.3	1.7			
Commercial disappearnace Actual	120.2	29.3	28.7	30.8	30.2	119.1	27.6	9.8			
Percent change 3/	+1.2	4/+.6	-5.0	+0.1	-0.5	-0.9	4/-5.0	+5.9			

1/ Milk equivalent, fat solids basis. Totals may not add due to rounding. 2/ Preliminary. 3/ From year earlier using unrounded data. 4/ On a daily average basis.

Table 5--Commercial disappearance: Selected dairy products, United States, annual 1970-80, quarters, 1980-81 1/

Year and quarter	Butter 2/	Cheese		Nonfat dry milk	Canned milk	Frozen products 4/
		American 3/	Other			
	Million pounds					Million gallon
1970	898.2	1,398.0	909.1	983.2	1,213.8	1,097.3
1971	847.1	1,454.8	987.0	981.8	1,186.9	1,102.4
1972	885.4	1,595.7	1,127.8	919.2	1,102.6	1,108.6
1973	855.6	1,677.1	1,210.2	1,110.1	1,056.7	1,118.6
1974	929.9	1,780.6	1,276.5	809.9	999.5	1,128.0
1975	951.0	1,717.1	1,331.9	697.0	923.9	1,183.9
1976	919.0	1,920.9	1,458.0	719.2	899.0	1,154.0
1977	859.8	1,958.8	1,512.3	682.2	775.2	1,167.6
1978	903.5	2,064.7	1,655.5	658.4	776.1	1,173.5
1979	895.0	2,113.1	1,730.4	603.1	773.7	1,152.9
1980	878.8	2,023.9	1,827.9	538.9	732.5	1,167.5
1980 - 1st	250.4	525.2	421.3	159.8	176.9	256.1
2nd	161.3	501.6	424.7	79.4	160.7	320.5
3rd	229.3	471.2	438.3	186.9	170.0	350.1
4th	237.9	535.4	543.8	112.7	225.0	240.9
1981 - 1st	190.0	502.4	433.7	97.0	179.1	251.9
2nd	70.8	165.7	148.5	39.0	50.8	100.6
3rd						
4th						
	1980-81 percent change					
1st 5/	-23.1	-1.3	+4.0	-38.3	+2.4	-1.6
Apr.	+48.4	-5.6	+4.7	+52.9	-7.0	+1.8
3rd						
4th						

1/ Totals may not add due to rounding. 2/ Imports include butter equivalent of butteroil. 3/ Imports include Colby cheese; stocks do not include processed cheese. 4/ Excludes Mellorine. 5/ On a daily average basis.

Table 6--Milk solids in all dairy products: Production and disposition, 1965-80

Year	Production 1/	Sold by farmers	Civilian disposition					
			Consumed on farms where produced 2/	National School Lunch and Special Milk Programs	UDSA donations 3/	Other	Total	Per capita
	Million pounds							Pounds
	Milkfat							
1965	4,592	4,371	145	113	132	3,990	4,380	22.9
1966	4,426	4,250	129	117	43	4,014	4,303	22.3
1967	4,377	4,189	116	117	114	3,826	4,173	21.4
1968	4,305	4,129	104	117	151	3,805	4,177	21.2
1969	4,264	4,104	94	119	169	3,778	4,160	20.9
1970	4,284	4,137	80	113	157	3,800	4,150	20.6
1971	4,344	4,207	77	113	169	3,815	4,174	20.4
1972	4,410	4,280	70	111	149	3,923	4,253	20.6
1973	4,225	4,102	65	109	136	3,925	4,235	20.4
1974	4,238	4,121	60	108	54	3,963	4,185	20.0
1975	4,240	4,127	55	107	84	3,995	4,241	20.1
1976	4,402	4,293	51	106	17	4,105	4,279	20.1
1977	4,481	4,378	47	104	109	4,054	4,314	20.1
1978	4,455	4,357	43	103	5/85	4,181	4,412	20.4
1979	4,518	4,538	38	102	5/85	4,258	4,483	20.5
1980 4/	4,692	4,721	35	98	5/133	4,228	4,494	20.4
	Milk solids-not-fat							
1965	10,704	9,905	337	275	166	6,997	7,775	40.6
1966	10,324	9,621	301	283	124	7,082	7,790	40.3
1967	10,223	9,594	271	285	130	7,024	7,710	39.5
1968	10,081	9,528	244	288	144	7,145	7,821	39.7
1969	9,985	9,490	221	293	152	7,198	7,864	39.5
1970	10,063	9,626	189	298	153	7,380	8,020	39.8
1971	10,197	9,797	182	300	167	7,485	8,135	39.8
1972	10,334	9,967	165	302	133	7,573	8,173	39.6
1973	9,932	9,592	152	301	69	7,764	8,286	39.8
1974	9,940	9,633	141	301	62	7,506	8,010	38.2
1975	9,936	9,649	129	301	62	7,531	8,023	38.0
1976	10,335	10,063	120	301	32	7,791	8,244	38.7
1977	10,548	10,279	110	301	71	7,736	8,218	38.3
1978	10,458	10,208	100	301	5/73	7,757	8,231	38.0
1979	10,613	10,401	89	301	5/65	7,844	8,299	38.0
1980 4/	11,032	10,831	82	301	5/91	7,780	8,254	37.4

1/ Quantities produced and used, estimated by applying the percentage of milkfat and solids-not-fat in each product to the amount of products. 2/ Fluid milk and cream and farm-churned butter. 3/ Butter, cheese, evaporated milk, nonfat dry milk, and dry whole milk. 4/ Preliminary. 5/ Estimated.

Table 7--Dairy products: Per capita civilian consumption, selected products, United States, 1960-80

Year	Butter	Cheese		Cottage cheese	Evaporated and condensed milk	Dry whole milk	Ice cream	Nonfat dry milk	Fluid products 1/
		American	Other						
					Pounds				
1960	7.5	5.4	2.9	4.8	13.7	0.3	18.3	6.2	322
1961	7.4	5.7	2.9	4.6	13.3	.3	18.0	6.2	312
1962	7.3	6.1	3.1	4.6	12.5	.3	17.9	6.1	308
1963	6.9	6.1	3.1	4.6	11.6	.3	18.0	5.8	307
1964	6.9	6.2	3.2	4.7	11.4	.3	18.3	5.9	304
1965	6.4	6.2	3.4	4.7	10.7	.3	18.5	5.6	302
1966	5.7	6.2	3.6	4.6	9.7	.3	18.2	5.9	297
1967	5.5	6.4	3.7	4.5	9.0	.3	17.8	5.6	285
1968	5.7	6.6	4.0	4.6	8.9	.2	18.4	5.8	280
1969	5.4	6.7	4.2	4.8	7.9	.2	18.0	5.8	272
1970	5.3	7.1	4.4	5.3	7.1	.2	17.7	5.4	264
1971	5.1	7.4	4.7	5.4	6.8	.2	17.5	5.3	260
1972	4.9	7.8	5.4	5.5	6.3	.1	17.4	4.6	263
1973	4.8	8.0	5.7	5.3	6.0	.1	17.5	5.3	257
1974	4.6	8.6	6.0	4.7	5.6	.1	17.5	4.2	246
1975	4.8	8.3	6.2	4.8	5.3	.1	18.7	3.3	246
1976	4.4	9.1	6.8	4.8	5.0	.2	18.1	3.6	246
1977	4.4	9.4	6.9	4.8	4.4	.2	17.8	3.4	243
1978	4.5	9.7	7.5	4.8	4.2	.3	17.7	3.2	239
1979	4.6	9.8	7.8	4.6	4.2	.3	17.6	3.3	237
1980 2/	4.6	9.9	8.2	4.6	3.9	.3	17.7	3.2	232

1/ Milk equivalent (fat solids basis) of whole milk, cream items, lowfat and skim items. 2/ Preliminary.

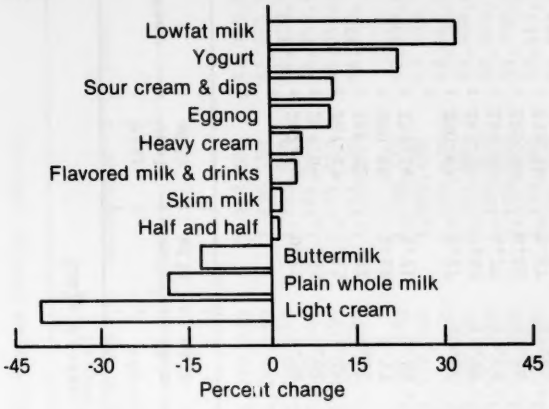
Table 8--Milk and dairy product sales (domestic disappearance, commercial sources), total and per capita, United States, 1974-80 1/

Year	Fluid milk product sales					Butter	Cheese			Evaporated and condensed	
	Fluid whole milk	Cream 2/	Low-fat milk 3/	Total product weight	Whole milk equivalent 4/		Whole and part skim milk 5/		Cottage cheese 6/	Whole milk	Skimmed milk
							American	Other			
	Total										
	Million pounds										
1974	38,358	1,143	14,815	54,316	50,514	917	1,771	1,267	992	1,154	732
1975	38,256	1,175	16,558	55,989	51,123	948	1,692	1,317	1,006	1,097	761
1976	37,061	1,189	17,710	55,960	51,502	932	1,912	1,446	1,025	1,046	783
1977	35,638	1,199	18,988	55,825	51,380	860	1,912	1,493	1,032	915	854
1978	34,938	1,214	19,813	55,965	51,175	894	2,050	1,627	1,039	885	772
1979	33,937	1,251	20,647	55,835	51,386	921	2,118	1,702	1,013	896	749
1980 7/	32,754	1,276	21,743	55,773	50,933	912	2,044	1,801	1,016	840	747
	Per capita 8/										
	Pounds										
1974	184	5.5	70.9	260	242	4.3	8.4	6.0	4.7	5.5	3.5
1975	181	5.6	78.5	266	243	4.4	8.0	6.2	4.7	5.1	3.6
1976	174	5.6	83.3	263	242	4.3	8.9	6.7	4.8	4.9	3.6
1977	166	5.6	88.4	260	240	4.0	8.8	6.9	4.8	4.2	3.9
1978	161	5.6	91.5	259	236	4.1	9.4	7.5	4.8	4.1	3.5
1979	155	5.7	94.5	255	235	4.2	9.6	7.7	4.6	4.1	3.4
1980 7/	148	5.8	98.4	252	231	4.1	9.2	8.1	4.6	3.8	3.4

Year	Frozen products					Dry products			
	Ice cream	Ice milk	Sherbet	Other	Mello-rine	Whole milk	Nonfat dry milk	Butter-milk	Whey 9/
	Total								
	Million pounds								
1974	3,753	1,629	325	56	166	15	839	44	453
1975	4,015	1,643	316	66	144	16	668	44	477
1976	3,928	1,574	322	64	112	33	743	38	527
1977	3,887	1,694	324	72	90	34	698	59	530
1978	3,914	1,705	312	77	78	56	640	50	543
1979	3,893	1,632	293	72	75	66	692	42	597
1980 7/	3,983	1,609	294	62	63	61	671	42	572
	Per capita 8/								
	Pounds								
1974	17.8	7.7	1.5	0.3	0.8	0.1	4.0	0.2	2.1
1975	18.8	7.7	1.5	.3	.7	.1	3.1	.2	2.2
1976	18.3	7.3	1.5	.3	.5	.2	3.5	.2	2.5
1977	18.0	7.8	1.5	.3	.4	.2	3.2	.3	2.5
1978	17.9	7.8	1.4	.4	.4	.3	2.9	.2	2.5
1979	17.6	7.4	1.3	.3	.3	.3	3.1	.2	2.7
1980 7/	17.9	7.2	1.3	.3	.3	.3	3.0	.2	2.6

1/ Excludes milk used on farms where produced and distribution from USDA supplies; includes sales to the Armed Services for use in the United States.
2/ Includes milk and cream mixtures.
3/ Includes skim milk, buttermilk, flavored milk drinks, and yogurt.
4/ Fat solids basis.
5/ Excludes cottage cheese.
6/ Includes full-skim American.
7/ Preliminary or estimated.
8/ Based on resident population, except fluid milk product sales--based on estimated population using fluid products from purchased sources.
9/ Includes modified whey products starting 1975.

Changes in Fluid Product Sales Per Capita, 1975 to 1980.



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exhibited no trend in the last two decades, increased for the second year in a row. Meanwhile, per capita sales of flavored milk drinks declined for the third consecutive year, while buttermilk continued its longtime decline.

Cream sales per person were up slightly in 1980, following a similar increase in 1979. Per capita sales were up for all cream items except light cream which was down and eggnog unchanged.

Among cultured products, per capita sales of yogurt were up again in 1980, after declining in 1979 for the first time since 1962. Meanwhile, sales of sour cream and dips rose again and were nearly 70 percent more than the 1970 level.

Dairy Product Stocks Large

Commercial holdings of dairy products on a milk equivalent basis moved able year-earlier levels in December, but the relative amount above has declined since March. The buildup in commercial stocks that normally occurs during flush has not taken place this year. This probably was due to increased interest rates and the fact that ample milk production allows use to be met from current manufactured output.

Commercial stocks absorbed the equivalent of 0.4 billion pounds less milk from February 1 to May 1 this year than last. May 1 stocks of milkfat were 1.3 percent above a year ago, while commercial stocks of solids-not-fat were down by 7.2 percent.

Commercial stores of butter have recently dropped below year-ago levels. After moving a fifth higher on November 1, butter stocks during the fall and winter averaged about a half above year-earlier levels. However, by April 1, they were only up a fourth and on May 1 were 4 percent below last year. Meanwhile, commercial stocks of nonfat dry milk since November 1 remained below year-earlier levels except for March 1 and April 1 which were up about 15 percent. May 1 nonfat stocks were again below last year's level by 18 percent.

Like butter and nonfat dry milk, American cheese stocks relative to last year have declined. On March 1, stocks of American cheese were 13 percent above last year, but on May 1 the stocks were only 9 percent higher. Stores of other cheese varieties have moved counter to the pattern developed by butter-powder and American cheese. On March 1, other cheese stocks were 20 percent below year-ago levels, but by May 1 were only 12 percent below.

May 1 Government holdings of dairy products on a milk equivalent basis totaled more than 11 billion pounds, an increase of nearly 3 times year-ago levels. Butter holdings were more than double, while American cheese was up more than 13 times. Nonfat dry milk was up by nearly half.

With interest rates high, commercial stocks can be expected to remain near present levels. However, with milk production relative to use expected to continue strong, sales to CCC will increase Government holdings this summer and fall.

Dairy product stocks

Item	May 1 1979	May 1 1980	May 1 1981
	Million pounds		
Commercial:			
Butter	40.2	54.8	52.5
American cheese	375.4	393.0	429.0
Other cheese	84.6	105.3	92.4
Nonfat dry milk	84.4	114.4	93.6
Milkfat	186.7	211.9	214.6
Solids-not-fat	237.5	281.3	261.0
Milk equivalent	5,300	5,950	6,901
Government:			
Butter	178.0	183.2	392.7
American cheese	3.1	22.1	298.1
Nonfat dry milk	433.6	367.9	543.3
Milkfat	144.3	154.6	412.2
Solids-not-fat	418.1	360.8	614.6
Milk equivalent	3,707	4,003	11,056

Government Purchases Large

Purchases by the CCC during May totaled 1.7 billion pounds milk equivalent, the largest amount in any month since March 1962. Through May, the Government had removed the equivalent of 7.7 billion pounds of milk

USDA dairy purchases[1]

Item	January-May		
	1980	1981	Change
	Million pounds		*Percent*
Butter	153.6	239.0	+55.6
American cheese	124.0	273.3	+120.4
Nonfat dry milk	242.5	374.6	+54.5
Evaporated milk	6.1	7.3	+19.7
Milk equivalent	4,410	7,651	+73.5

[1]Deliveries minus unrestricted sales.

Table 9--Per capita sales of selected fluid milk items, 1954-80

Year	Plain whole milk	Lowfat milk	Skim milk	Flavored milk and drinks	Butter-milk	Yogurt	Eggnog	Half-and-half	Light cream	Heavy cream	Sour cream and dips
					Pounds						
1954	262.44	0.23	6.54	7.28	8.28	0.10	0.22	3.80	2.53	1.42	0.66
1955	264.69	.33	6.94	7.60	8.20	.11	.24	4.01	2.33	1.37	.67
1956	267.17	.43	7.65	7.69	7.74	.12	.23	4.22	2.17	1.34	.69
1957	266.02	.51	8.52	7.33	7.46	.13	.24	4.33	1.92	1.27	.72
1958	260.66	1.18	9.17	7.26	7.13	.16	.26	4.44	1.75	1.19	.76
1959	255.24	1.71	9.89	7.13	6.91	.23	.28	4.49	1.58	1.10	.82
1960	250.87	2.27	10.68	7.00	6.65	.26	.27	4.64	1.46	1.04	.90
1961	243.19	3.43	11.29	7.30	6.24	.28	.26	4.60	1.32	.97	.93
1962	240.85	4.70	11.63	7.52	6.49	.25	.28	4.39	1.23	.97	.98
1963	240.38	6.43	12.24	8.19	6.44	.28	.27	4.25	1.06	.92	1.01
1964	238.56	8.67	12.61	8.48	6.29	.29	.25	4.10	.94	.88	.93
1965	236.52	10.93	12.58	8.75	6.14	.32	.26	3.98	.86	.84	.95
1966	234.13	14.52	10.99	9.02	6.05	.37	.27	3.84	.75	.78	.98
1967	223.70	18.38	10.75	8.60	5.90	.47	.26	3.56	.65	.72	.94
1968	218.56	22.66	11.30	8.99	5.84	.63	.30	3.39	.52	.65	.96
1969	212.11	27.29	11.74	8.85	5.80	.85	.29	3.20	.46	.57	.96
1970	207.14	30.75	11.87	8.80	5.66	.86	.31	2.96	.38	.56	1.11
1971	199.88	35.88	11.55	9.21	5.66	1.16	.41	2.76	.33	.55	1.24
1972	196.07	40.32	12.71	9.75	5.63	1.38	.47	2.69	.28	.57	1.31
1973	187.50	44.35	14.23	9.87	5.19	1.53	.44	2.70	.39	.59	1.33
1974	176.68	46.81	14.22	9.97	4.86	1.64	.46	2.53	.40	.57	1.51
1975	175.16	55.52	12.00	10.08	4.89	2.11	.39	2.49	.42	.58	1.70
1976	167.77	59.37	12.02	11.12	4.87	2.27	.41	2.53	.36	.62	1.67
1977	159.98	63.30	12.31	11.78	4.74	2.49	.44	2.52	.32	.59	1.71
1978	155.35	66.78	11.90	11.48	4.60	2.61	.44	2.51	.33	.57	1.75
1979 1/	149.95	69.70	12.04	10.91	4.35	2.59	.43	2.52	.30	.64	1.83
1980 2/	143.71	73.35	12.10	10.47	4.26	2.67	.43	2.54	.25	.67	1.88

1/ Revised. 2/ Preliminary.

Table 10--Sales of individual beverage milk products, United States, 1954-80

Year	Plain whole milk	Lowfat milk	Skim milk	Filled and imitation milk	Flavored milk and drinks	Buttermilk	Total
				1,000 pounds			
1954	38,604,960	34,240	961,460	0	1,070,850	1,218,300	41,889,810
1955	39,915,940	50,030	1,046,750	0	1,146,650	1,236,580	43,395,950
1956	41,277,190	66,510	1,182,590	0	1,188,750	1,195,880	44,910,920
1957	42,217,840	80,540	1,351,600	0	1,162,660	1,184,010	45,996,650
1958	42,382,790	192,410	1,491,710	0	1,180,050	1,159,810	46,344,770
1959	42,548,300	284,540	1,648,330	0	1,189,280	1,151,930	46,822,380
1960	42,999,350	389,180	1,830,140	0	1,200,250	1,139,730	47,558,650
1961	42,606,330	600,960	1,977,610	0	1,278,160	1,092,480	47,555,540
1962	43,039,510	840,020	2,078,490	0	1,343,060	1,159,920	48,461,000
1963	43,749,260	1,170,690	2,227,840	0	1,489,730	1,171,890	49,809,410
1964	44,205,430	1,605,890	2,336,180	0	1,570,800	1,166,260	50,884,560
1965	44,512,450	2,056,550	2,368,030	0	1,646,860	1,155,750	51,739,640
1966	44,671,870	2,769,740	2,097,370	3,100	1,720,380	1,155,030	52,417,490
1967	43,218,510	3,550,750	2,077,110	45,600	1,662,250	1,139,350	51,693,570
1968	42,705,970	4,427,400	2,207,370	163,610	1,757,620	1,142,030	52,404,000
1969	41,934,850	5,396,130	2,320,250	153,620	1,748,690	1,146,670	52,700,210
1970	41,511,710	6,162,570	2,378,400	122,490	1,762,900	1,134,950	53,073,020
1971	40,595,920	7,287,010	2,345,370	108,580	1,870,720	1,149,350	53,356,950
1972	40,252,266	8,277,310	2,608,977	96,610	2,001,614	1,156,468	54,393,245
1973	38,849,170	9,189,215	2,949,038	81,339	2,044,324	1,075,229	54,188,315
1974	36,908,055	9,778,193	2,970,078	74,503	2,083,346	1,015,804	52,829,979
1975	36,924,145	11,703,142	2,528,589	56,804	2,122,585	1,031,831	54,367,096
1976	35,668,574	12,621,789	2,555,072	44,783	2,364,493	1,035,401	54,290,112
1977	34,300,201	13,572,542	2,638,795	39,563	2,525,214	1,016,373	54,092,688
1978	33,634,352	14,458,172	2,576,094	36,398	2,484,403	995,981	54,185,400
1979 1/	32,779,581	15,237,262	2,631,420	34,076	2,385,093	949,899	54,017,331
1980 2/	31,745,165	16,203,427	2,672,964	33,207	2,312,875	940,630	53,908,268

1/ Revised. 2/ Preliminary.

Table 11--Sales of individual cream and specialty products, United States, 1954-80

Year	Half-and-half	Light cream	Heavy cream	Sour cream and dips	Imitation sour cream	Yogurt	Eggnog	Total
				1,000 pounds				
1954	559,400	372,880	209,530	96,980	0	14,960	32,170	1,285,920
1955	604,820	351,750	205,860	100,520	0	16,850	36,250	1,316,050
1956	652,330	335,470	207,180	105,980	0	18,760	36,200	1,355,920
1957	687,560	304,070	202,100	113,490	0	21,160	38,080	1,366,460
1958	722,050	283,770	193,730	123,730	0	25,630	42,790	1,391,700
1959	748,800	264,130	183,740	136,810	0	38,330	45,850	1,417,660
1960	795,500	250,070	177,940	154,440	0	44,130	45,840	1,467,920
1961	805,960	231,360	169,190	163,310	0	48,580	46,080	1,464,480
1962	785,090	220,110	173,700	175,330	0	45,520	49,610	1,449,360
1963	773,140	192,740	167,720	184,280	0	50,440	49,420	1,417,540
1964	759,870	175,020	162,190	172,480	0	53,020	47,140	1,369,720
1965	749,180	162,420	157,210	178,750	0	60,640	48,770	1,356,970
1966	732,230	143,770	148,420	186,100	30	70,030	52,290	1,332,870
1967	687,040	125,000	138,620	182,520	730	90,230	50,440	1,274,580
1968	661,880	101,930	127,200	186,900	1,640	123,520	57,750	1,260,820
1969	632,170	90,500	113,450	189,830	1,680	168,960	56,920	1,253,510
1970	593,420	75,980	112,310	222,600	1,750	171,570	61,330	1,238,960
1971	560,910	66,610	112,490	251,320	1,910	236,290	82,640	1,312,170
1972	552,962	57,208	116,925	268,269	1,660	284,036	96,326	1,377,386
1973	559,614	80,470	121,576	276,126	N.A.	317,934	92,018	1,447,738
1974	528,760	84,107	118,559	315,840	N.A.	343,225	95,443	1,485,934
1975	525,198	89,325	121,480	358,080	N.A.	445,435	81,900	1,621,418
1976	538,385	77,248	130,986	355,106	N.A.	481,707	86,857	1,670,289
1977	541,159	68,482	127,518	366,969	N.A.	533,549	94,292	1,731,969
1978	544,409	71,370	124,304	379,577	N.A.	565,434	94,586	1,779,680
1979 1/	549,954	66,545	140,470	399,492	N.A.	566,678	94,116	1,817,255
1980 2/	562,137	55,093	148,797	415,187	N.A.	588,762	95,252	1,865,228

1/ Revised. 2/ Preliminary.

from the market, up more than 70 percent from January-May 1980 purchases. For the 1980/81 marketing year, CCC purchases for the first 8 months totaled 9.1 billion pounds, up from 5.2 billion a year ago.

CCC purchases of butter during January-May were 239 million pounds, up more than half from the same period in 1980. Likewise, nonfat dry milk removals by CCC were also up more than half to 375 million pounds. Cheese manufacturers delivered 274 million pounds of American cheese to the Government, more than double last year's level.

Government removals of dairy products will taper off seasonally in coming months and will likely not match the large of removals of last fall. In general, CCC removals for the remainder of the calendar year will depend on the relative strengths of milk production and commercial disappearance. Use is expected to improve, while gains in milk production should abate, thus the difference should narrow and CCC purchases should be less.

Uncommitted CCC stocks

Item	June 1	
	1980	1981
	Million pounds	
Butter	262.4	411.0
American cheese	102.2	439.0
Nonfat dry milk	465.0	641.2

On June 1, CCC uncommitted inventories of butter were 57 percent more than last year while nonfat dry milk was up about 38 percent. Uncommitted inventories, for both of these products reflect a check book register, the effect of recent sales of nonfat dry milk to Mexico and the sale of butter and nonfat dry milk to Poland. However, June 1 uncommitted stocks of American cheese were 439 million pounds, four times more than last year.

FEDERAL ORDER SUMMARY[2]

More Producers In 1980

During 1980, an average of 117,500 producers delivered milk to handlers regulated under the 47 Federal milk marketing orders, an increase of nearly 1,100 producers from the previous year. This was the first significant increase since 1969, a year in which several mergers and expansions of marketing areas, as well as the inception of new orders, occurred. On a monthly basis, the number of producers increased consistently throughout 1980—from 116,800 in January to 118,600 in December. This gain probably reflects a slowing in the rate of producers leaving dairy farming and conversion from Grade B to Grade A production. It was in marked contrast to the characteristic yearly decline in producers.

These producers delivered nearly 84 billion pounds during 1980, an increase of 5.5 percent over the previous year. Average daily deliveries per producer rose 4.5 percent to 1,953 pounds.

Milk used in Class I totaled 41.03 billion pounds, down 2 percent from 1979. This decline, coupled with increased deliveries of milk, caused the Class I utilization percentage to drop from 52 percent in 1979 to 49 percent during 1980.

During 1980, producer blend prices in all Federal order markets averaged $12.86 per cwt., up 89 cents from the previous year. Minimum order Class I prices also increased by 89 cents to an average of $13.77. These increases reflected the higher support price levels set during the year which, in turn, resulted in upward movements in the Minnesota-Wisconsin (M-W) manufacturing grade milk price series. The M-W price is the basic mover of minimum prices in all Federal order markets. Negotiated Class I prices announced by cooperative associations averaged an estimated 63 cents per cwt. above minimum order Class I prices during 1980, compared with 51 cents during 1979.

The longtime trend towards fluid milk products with less butterfat continued during 1980, as sales of lowfat and skim milk items showed another increase. These products, which now account for more than 40 percent of total fluid sales, increased 4.4 percent in the 46 Federal order areas for which comparable data were available (table 12). This strength can be traced to the growth of lowfat and skim milk products without added solids. These nonfortified products increased 10 percent during 1980, and accounted for over 70 percent of total lowfat and skim milk products sales. At the same time, lowfat and skim milk products with added solids continued to decline.

New Orders

Producers have approved an order for the Southwestern Idaho-Eastern Oregon marketing area that covers 18 counties in Idaho and five counties in Oregon. The order provides for three classes of utilization, identical to those included in most other orders. Class I is fluid milk products; Class II is fluid cream products, ice cream, eggnog, yogurt, and cottage cheese; and Class III is hard cheese, butter, and nonfat dry milk. The Class I price is the M-W for the second preceding month plus a differential of $1.50; the Class II price is the M-W for the month plus 10 cents; and the Class III price is the M-W for the month. The order provides for market-wide pooling. The new order will become effective on July 1.

[2]Prepared by Eugene Krueger, Dairy Division, Agricultural Marketing Service, USDA.

Table 12--Sales of individual fluid products as a proportion of average daily fluid milk sales, all Federal order markets, 1970, and 1975-80 1/

Fluid items	1970	1975	1976	1977	1978	1979	1980
				Percent			
Whole milk 2/	76.1	65.6	63.4	61.1	59.8	58.4	56.7
Flavored whole milk 3/	2.5	2.6	2.7	2.7	2.5	2.3	2.0
Total whole milk items	78.6	68.2	66.1	63.8	62.3	60.7	58.7
Low-fat (2%) milk 4/	12.1	21.4	22.8	24.4	26.0	27.5	29.1
Plain	3.3	11.6	14.3	15.8	18.0	20.7	22.8
Solids added	8.8	9.8	8.5	8.6	8.0	6.8	6.3
Skim milk	4.3	4.2	4.3	4.5	4.4	4.5	4.6
Plain	1.1	1.7	1.9	2.1	2.3	2.7	2.9
Solids added	3.2	2.5	2.4	2.4	2.1	1.8	1.7
Buttermilk	1.9	1.8	1.8	1.8	1.7	1.6	1.6
Yogurt	.3	.7	.8	1.0	1.0	.9	.9
Flavored milk drinks	.8	1.5	2.0	2.4	2.4	2.5	2.7
Total skim and low-fat milk items	19.4	29.6	31.7	34.1	35.5	37.0	38.9
Milk and cream mixtures	1.1	.9	.9	1.0	.9	1.0	1.0
Light cream	.2	.2	.2	.1	.2	.1	.1
Heavy cream	.2	.2	.2	.2	.2	.2	.3
Sour cream	.4	.6	.6	.7	.7	.7	.7
Total cream items	.8	1.0	1.0	1.0	1.1	1.0	1.1
Eggnog	.2	.2	.2	.2	.2	.2	.2
Total fluid milk and cream 5/	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Total packaged disposition in and out of the marketing area, by regulated handlers.
2/ Includes whole milk equivalent of small quantity of concentrated milk.
3/ Includes small amounts of flavored milk drinks.
4/ Includes 1% low-fat milk.
5/ Totals may not add due to rounding.

A public hearing was held to receive evidence concerning the need for a Federal order in Alabama. The proposed order would cover the entire State of Alabama and four counties in western Florida. A recommended decision on the issue is expected in the near future.

Mergers And Expansion

The trend towards fewer and larger marketing areas through mergers and expansion into previously unregulated areas appears to be gaining strength once again after a couple of years of little activity. A public hearing was held relating to merger proposals that would affect various combinations or portions of the Oklahoma Metropolitan, Neosho Valley, Wichita, Red River Valley, Texas Panhandle, and/or Texas marketing areas as well as intervening unregulated areas.

Another hearing has been scheduled to consider a proposed merger of the Puget Sound and Inland Empire marketing areas and the unregulated area between these two markets.

Reconstituted Milk Pricing Petition

In April 1981, USDA denied a petition requesting a hearing on the pricing of milk reconstituted by processors for sale as a fluid milk product under all Federal milk marketing orders. After receiving the petition, USDA invited comments from the dairy industry and the public on whether the proposed order changes should be considered at a hearing. USDA also prepared a comprehensive impact analysis of the proposed changes and asked for comments on the impact statement. On the basis of the comments received and the analysis of the issue, it was determined that a hearing was not warranted. Among the reasons for denying the petition were: (1) adopting it would seriously undermine classified pricing under the orders and thereby not carry out the mandate of Congress in authorizing milk orders; (2) competitive problems from the resulting non-uniform pricing would lead to lower Class I prices that would cause a substantial decline in dairy farm income and major changes in the industry; (3) expected benefits to consumers would be much less than loss of income to producers; (4) consumers already have a lower-cost alternative to fresh milk by buying nonfat dry milk and reconstituting it themselves; and (5) the public would not be assured of a commercially reconstituted milk product that is as nutritious as fresh milk.

FOREIGN TRADE AND TRENDS

Imports Above Last Year

U.S. imports of dairy products, on a milk fat solids basis, during January-April totaled 590 million pounds, up about a fourth from last year (table 13). Some of this increase probably occurred because there was little delay in issuing new quota licenses in 1981, unlike 1980 delays caused by the new import quota system. Part of the increase also related to a more normal import pattern. During late 1979, imports were heavy in anticipation of problems in the new system, and then importers delayed deliveries to get stocks back into line with sales.

U.S. dairy trade
(Milk equivalent)

Year and quarters	Imports		Exports	Shipments[1]
	Cheese	Other		
	Million pounds			
1980				
1st	224	142	108	135
2nd	321	35	88	139
3rd	489	18	291	142
4th	832	46	405	146
Year[2]	1,866	241	892	562
1981				
1st	306	97	224	162
April	152	34	74	41

[1]To U.S. territories.
[2]May not add due to rounding.

Cheese imports subject to quota, were up by two-thirds during January-April. American cheese imports were 8 times more than a year-ago, with about a third of them arriving in April. Swiss cheese imports were up a fourth, while 'other' quota types were twice year ago levels. During January-April total imports of cheese not subject to quota were slightly above year-ago levels, with Pecorino up a fifth, and Roquefort down a third.

Imports of most other dairy products were lower. Of those subject to quota, all were even with to below year-ago levels except butter, dried buttermilk, and lowfat chocolate crumb. Of those not subject to quota, lactose was down two-third, casein was down about a tenth.

Imports of dairy products in 1980 totaled 2.1 billion pounds milk equivalent, down 8.5 percent from a year earlier, and were comparable to 1.6 percent of U.S. milk production. Exports of U.S. dairy products increased to 892 million pounds milk equivalent, more than two times greater than in 1979 (table 14). Meanwhile, 562 million of dairy products were shipped to U.S. territories during 1980, down about a tenth from 1979.

USDA Issues Casein Study

Casein, a dairy protein used in various food, feed, and industrial products, is not produced domestically. Imports of casein compete with domestic dairy products in some uses and may affect the cost of the Federal dairy price support program. According to the report, it does not

Table 13--Dairy Products: U.S. imports, quota and non-quota, total 1980, and January-April, 1980-81 1/

Product	Calendar year quota	1980 imports	April 1980	April 1981	April 1981 as a % of 1980	Cumulative, January-April 1980	Cumulative, January-April 1981	1981 as a % of 1981
	- - - - - - - - - - Thousand pounds - - - - - - -				Percent	- - - - - - Thousand pounds - - - - - -		Percent
Cheese, quota types								
American-Cheddar	12,205.3	10,710	118	1,745	5/	454	3,904	860
-Other	7,545.4	7,367	42	243	579	160	1,102	689
Italian-Original loaves	12,374.4	5,998	627	516	82	1,956	2,199	112
-Other	1,550.0	1,059	124	113	91	340	147	43
Edam and Gouda-Natural	9,208.6	8,572	441	953	216	1,500	3,364	224
-Processed	3,151.3	2,019	1	137	5/	101	412	408
Blue Mold	5,469.6	4,388	151	295	195	656	1,110	169
Swiss-Emmenthaler	70,278.1	66,608	4,412	6,015	136	12,928	16,834	130
-Gruyere process	16,479.0	14,060	433	852	197	3,316	3,069	93
Other-Over 0.5% fat	89,466.8	67,370	1,980	4,808	243	5,561	11,564	208
-Under 0.5% fat	12,621.1	7,194	145	1,210	903	190	1,882	991
Total	240,349.6	195,345	8,472	16,986	200	27,162	45,589	168
Cheese, non-quota types								
Other cow's milk cheeses 2/		12,200	701	939	134	4,112	3,711	90
Miscellaneous 3/		905	67	51	76	218	258	118
Pecorino		21,433	1,255	1,431	114	5,691	6,862	121
Roquefort		1,278	122	70	57	485	327	67
Total		35,816	2,145	2,490	116	10,505	11,159	106
Total cheese, Quota and Non-quota	240,349.6	231,161	10,617	19,476	183	37,667	56,748	151
Other quota products								
Butter	707.1	586	100	102	102	126	391	310
Butteroil	1,200.0	1,200	---	---	---	1,200	1,200	100
Butterfat mixtures	2,580.0	4/ 2,676	114	228	200	683	228	33
Ice cream	3,377.3	1,174	---	---	---	1,150	---	6/
Frozen cream	12,540.0	9,849	727	2,021	278	7,995	6,138	77
Nonfat dry milk	1,807.0	4/ 4,890	729	198	27	2,418	1,449	60
Dried buttermilk and whey	496.0	4/ 498	---	---	---	179	188	105
Evaporated milk	1,312.0	1	---	401	5/	1	4/1,410	5/
Condensed milk	4,079.0	418	---	---	---	176	119	68
Chocolate crumb-Regular	21,409.0	14,480	1,481	1,141	77	4,971	3,940	79
-Lowfat	4,680.0	1,888	120	160	133	168	248	148
Animal feed with milk solids	16,300.0	14,487	990	342	35	5,106	807	16
Non-quota products								
Casein		151,226	9,161	8,598	94	49,917	46,516	91
Lactose		3,044	453	1	6/	1,372	503	37
Milk equivalent, fat solids basis, total all products	2,234,270	2,106,843	102,605	186,349	182	468,849	589,883	126

1/ Preliminary.
2/ Primarily soft, ripened cheeses.
3/ Gjetost, Bryndza, Gammelost and Noekkelost, and Goya.
4/ Probable error in reported data.
5/ More than 1,000.
6/ Less than 1.

Table 14--Dairy products: U.S. imports, 1970-79

Product	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 1/
					Thousand pounds					
Cheese										
American-Cheddar	9,720	9,324	9,516	20,010	106,999	10,600	7,984	9,337	10,748	10,257
-Other	5,969	7,624	5,957	8,430	5,098	6,033	6,241	6,407	7,037	7,707
Total American	15,689	16,948	15,473	28,440	112,097	16,633	14,225	15,744	17,785	17,964
Italian-Original loaves	6,617	6,458	10,802	10,524	8,985	10,173	11,067	9,803	8,994	6,695
-Other	674	852	1,350	1,517	1,185	1,232	1,442	1,343	1,317	997
Total Italian	7,291	7,310	12,152	12,041	10,170	11,405	12,509	11,146	10,311	7,692
Edam and Gouda-Natural	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	8,524	8,251	8,601	8,559
-Processed	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	499	1,064	3,079	1,283
Total Edam and Gouda	11,799	10,127	10,146	11,596	9,373	9,207	9,023	9,315	11,680	9,842
Blue Mold	4,766	4,485	4,434	5,994	5,016	4,564	4,593	3,354	5,505	4,335
Swiss-Emmenthaler, "pricebreak" and over 2/	22,762	21,809	30,366	24,725	51,158	36,279	48,499	45,494	59,647	55,691
-Emmenthaler, under "pricebreak" 2/	3,592	2,508	3,206	24,875	12,647	10,473	12,435	14,133	14,032	19,638
-Gruyere-process, "pricebreak" and over 2/	10,800	8,937	9,882	5,703	9,018	5,322	6,741	5,881	8,329	7,616
-Gruyere-process, under "pricebreak" 2/	3,149	2,662	2,904	9,936	6,285	6,829	8,690	9,399	10,607	11,026
Total Swiss	40,303	35,916	46,358	65,239	79,108	58,902	76,365	74,907	92,615	93,971
Other, "pricebreak" and over 2/	22,631	18,812	31,820	21,241	35,853	26,155	34,405	31,940	39,899	45,734
Other, under "pricebreak" 2/	23,371	14,849	23,680	52,477	35,478	25,832	31,116	38,308	38,374	42,892
Other, low-fat, under "pricebreak" 2/	10,752	7,025	8,397	11,965	8,616	6,667	4,741	4,981	2,457	4,869
Total Other	56,754	40,686	63,897	85,683	79,947	58,654	70,262	75,229	80,730	93,495
Pecorino	20,621	16,566	22,976	17,215	16,465	17,114	16,728	15,825	20,288	18,400
Roquefort	2,063	1,671	2,543	2,126	1,439	1,392	1,560	1,620	1,471	1,328
Gjetost	413	397	438	454	473	512	517	512	583	483
Bryndza	156	257	322	309	679	400	543	464	490	595
Gammelost and Noekkelost	256	473	748	698	716	628	627	503	727	183
Goya	761	1,039	3	6	41	18	325	781	0	0
Other products										
Butter	3/ 747	628	714	55,574	450	526	562	743	736	809
Butteroil	1,200	1,200	1,200	23,800	1,200	1,200	1,200	1,200	1,200	1,200
Butterfat mixtures	2,398	2,572	2,430	2,565	---	1,828	2,468	2,393	2,757	2,545
Frozen cream	11,062	11,235	12,600	12,540	12,406	12,353	12,964	12,529	14,586	12,315
Evaporated milk	1,236	1,299	94	1,209	1,214	455	28	44	---	1
Condensed milk	1,506	1,670	2,345	1,419	1,393	445	639	767	887	383
Chocolate crumb-Regular	15,260	12,803	9,652	5,624	5,859	2,323	9,246	6,817	10,707	11,651
-Lowfat	15,944	4,185	3,171	176	---	2,086	2,604	2,425	1,346	3,446
Total chocolate crumb	31,204	16,988	12,823	5,800	5,859	4,409	11,850	9,242	12,053	15,097
Ice cream	62,689	2,549	1,375	---	---	---	373	3,187	4,360	2,497
Dried products										
Whole milk	3	10	---	---	17	7	9	1	81	3
Malted milk	1	2	6	13	10	---	2	5	5/	3
Buttermilk	421	355	594	270	137	783	444	179	478	317
Nonfat Dry Milk	1,759	2,136	1,602	266,564	115,065	2,465	1,807	1,825	2,388	2,178
Casein	135,288	105,939	105,401	112,828	112,889	58,444	112,141	144,245	137,134	150,827
Lactose	4,222	1,652	1,540	1,356	1,310	5,501	1,267	3,991	3,112	1,983
Animal feed 4/	27,297	11,812	10,356	15,793	9,009	15,795	12,226	12,815	14,647	15,695
					Million pounds					
Milk equivalent, fat solids basis, total all products	1,878	1,356	1,694	3,859	2,923	1,669	1,943	1,968	2,310	2,305

1/ Preliminary. 2/ Cheese entering under pricebreak subject to quota. Pricebreak of 47 cents changed to $.62 on June 3, 1972; to $.69 on March 15, 1973; to $.72 on August 29, 1973; to $.78 on April 1, 1974; to $.84 on January 16, 1975; to $.86 on April 9, 1975; to $.92 on October 16, 1975; to $.98 on April 14, 1976; to $1.00 on October 19, 1976; to $1.05 on May 5, 1977 to $1.10 on April 1, 1978; to $1.13 on November 2, 1978; to $1.23 on April 1, 1979; and $1.31 on October 1, 1979. 3/ Includes 40,400 pounds not subject to quota. 4/ Containing milk products. 5/ Less than 500 pounds.

Imports, exports, and shipments of dairy products, 1965-80[1]

Year	Imports		Exports		Shipments[2]	
	Quantity	Percent of production	Quantity	Percent production	Quantity	Percent of production
	Million pounds	*Percent*	*Million pounds*	*Percent*	*Million pounds*	*Percent*
1965	923	.7	1,836	1.5	522	.4
1966	2,791	2.3	778	.6	430	.4
1967	2,908	2.4	363	.3	461	.4
1968	1,780	1.5	1,185	1.0	586	.5
1969	1,621	1.4	921	.8	498	.4
1970	1,878	1.6	438	.4	548	.5
1971	1,356	1.1	2,458	2.1	568	.5
1972	1,694	1.4	1,469	1.2	677	.6
1973	3,859	3.3	654	.6	638	.6
1974	2,923	2.5	582	.5	576	.5
1975	1,669	1.4	550	.5	496	.4
1976	1,943	1.6	502	.4	520	.4
1977	1,968	1.6	459	.4	527	.4
1978	2,310	1.9	368	.3	602	.5
1979	2,303	1.9	362	.3	620	.5
1980[3]	2,107	1.6	892	.7	562	.4

[1]Milk equivalent, fat solids basis.
[2]To U.S. territories.
[3]Preliminary.

appear that invoking import restrictions would substantially reduce the cost of the dairy program. Restricting casein imports by the maximum allowed under law (50 percent of imports during a representative period) would cause some domestic users to shift to dairy and nondairy alternatives, but would not significantly increase the use of domestically produced skim milk solids.

Single copies of the report, *U.S Casein and Lactalbumin Imports* (AGE SS 810521) are available by writing the Food and Agricultural Policy Branch, Room 120, GHI Building, Economics and Statistics Service, U.S. Department of Agriculture, Washington, D.C. 20250.

EC Sets New Dairy Support Prices

On April 6, the European Community (EC) put into effect new support prices for dairy products for 1981/82.

The target price for fluid milk (the price the producer should receive according to the *EC Commission*) has been increased 9 percent, from $12.12 to $13.21 per cwt. The intervention price for butter has been increased 9 percent, from $1.59 to $1.73 a pound, as has nonfat dry milk (NFDM), from 66 cents to 72 cents a pound. Intervention prices are the prices at which intervention agencies are obliged to buy products offered to them. The milk coresponsibility levy (producer tax) for 1981/82 has been set at 2.5 percent of the target price under the same conditions as the current basic coresponsibility levy. However, application of a superlevy, which had been proposed by the EC Commission, was rejected—although the EC Agricultural Council will take steps to offset any extra costs which arise if the volume of milk supplied in 1981 increases more than 1 percent over the 1980 level.

CCC Sells Dairy Products Overseas

The Commodity Credit Corporation sold 60,000 metric tons (132 million pounds) of nonfat dry milk to Mexico on March 18, to be used in social programs. The nonfat dry milk, part of CCC's surplus inventory, was sold for $1,225 per ton (or 55.6 cents per pound). Deliveries are scheduled over the next 12 months. In addition, on June 9th Mexico signed an agreement to purchase agricultural commodities in calendar year 1982, which included up to 75,000 metric tons (165 million pounds) of nonfat dry milk.

A government-to-government sale of 30 metric tons of butter and a like amount of nonfat dry milk was made to Poland on April 3. The 66 million pounds of each product will be from stocks owned by CCC. The sale, estimated at $70 million, was to help alleviate the shortfall in Poland at a time when its people need food.

USDA Reports On Price Undercutting Investigations

In response to two complaints filed under Section 702 of the Trade Agreement Act of 1979, the Secretary of Agriculture has determined that Swiss cheese from West Germany and Denmark was undercutting similar domestic Swiss, while Swiss cheese from Finland and France was not undercutting. The investigations made in accordance with Section 702 found that the domestic wholesale price for Grade A-B Swiss at the time was $1.81 (a weighted average of invoices examined) while the price

for Grade C was $1.78. The duty-paid wholesale price of German Swiss was found to be seven-cents below the domestic Grade A-B price while a seventeen-cent differential was found between the Danish Swiss price and the domestic Grade C price. An early-May lowering of the European Community subsidy appeared to be sufficient to eliminate the German undercutting. The Danes chose to raise their minimum export price by the full amount of the undercutting found.

Table 15--U.S. Dairy Situation at a Glance

Item	Unit or base period	1979	1980				1981			
		Apr.	Mar.	Apr.	May	Year	Jan.	Feb.	Mar.	Apr.
Production and cow numbers:										
Total milk	Mil. lb.	10,603	10,946	11,013	11,664	128,425	10,739	10,093	11,426	11,544
Milk per cow	Lb.	989	1,016	1,022	1,081	11,875	988	928	1,052	1,063
Number of milk cows	Thou.	10,721	10,772	10,772	10,792	10,815	10,874	10,874	10,862	10,865
Prices received by farmers:										
All milk, sold to plants, 100 pounds	Dol.	11.60	12.80	12.70	12.60	13.00	14.10	14.00	13.80	13.60
Percentage of parity 1/	Pct.	74	72	73	73	72	69	69	69	69
Manufacturing grade milk, 100 pounds	Dol.	10.80	11.80	11.80	11.70	12.05	13.00	12.90	12.90	12.70
Parity equivalent	Dol.	14.01	15.66	15.66	15.75	16.00	17.53	17.62	17.71	17.89
Fat content	Pct.	3.68	3.74	3.68	3.59	3.67	3.79	3.74	3.68	3.63
Minnesota-Wisconsin (3.5% fat), 100 pounds	Dol.	10.63	11.59	11.68	11.66	11.88	12.64	12.66	12.67	12.64
Milk eligible for fluid market, 100 pounds	Dol.	11.80	12.90	12.80	12.70	13.20	14.30	14.20	14.00	13.80
Price ratios and dairy ration values:										
Milk-feed 2/	Lb.	1.56	1.55	1.55	1.53	1.47	1.39	1.40	1.42	1.39
Manufacturing grade milk-hog	Lb.	.24	.35	.42	.41	.32	.32	.31	.33	.33
Manufacturing grade milk-beef	Lb.	.15	.18	.19	.19	.19	.22	.22	.22	.21
Value of concentrate ration fed milk cows	Dol.	6.51	---	7.03	---	7.42	8.35	---	---	8.30
Farm cash receipts from dairy products	Mil. dol.	1,227	1,374	1,379	1,466	16,388	1,497	1,408	N.A.	N.A.
Production of factory products:										
Butter	Mil. lb.	92.4	101.1	112.3	116.6	1,145.3	121.3	110.1	116.7	116.9
American cheese, whole milk	Mil. lb.	192.8	196.7	207.5	232.4	2,374.6	212.2	198.1	224.5	237.5
Cheese, other than American	Mil. lb.	126.2	143.0	129.2	128.1	1,608.5	130.6	118.4	140.9	133.7
Canned milk, unskimmed	Mil. lb.	72.2	61.8	68.5	66.6	724.7	55.7	54.7	60.4	65.0
Dry whole milk	Mil. lb.	9.5	8.2	5.5	6.1	82.7	6.8	6.0	6.8	8.0
Frozen products 3/	Mil. gal.	97.1	94.8	98.8	105.3	1,167.5	73.0	80.5	98.4	100.6
Creamed cottage cheese	Mil. lb.	70.3	72.6	71.1	72.9	822.6	63.4	59.5	70.3	68.2
Total whole milk equivalent 4/	Mil. lb.	5,855	6,024	6,417	6,849	71,612	6,212	5,903	6,718	6,858
Nonfat dry milk, human use	Mil. lb.	89.8	89.7	115.1	135.8	116.1	92.0	95.3	110.0	122.9
Wholesale prices:										
Butter, Grade A, Chicago, pound	Ct.	120.7	130.4	134.3	136.9	139.3	147.2	147.2	147.2	147.2
Cheese, American (40-pound blocks), f.o.b. Wisconsin assembling points, pound	Ct.	121.2	129.6	131.4	131.0	133.0	139.3	139.2	138.8	139.2
Evaporated milk, case	Dol.	17.49	19.20	19.64	19.83	19.85	21.15	21.41	21.70	21.70
Dry whole milk, pound	Ct.	98.4	106.0	108.9	109.0	110.8	118.6	119.2	119.1	118.7
Nonfat dry milk, pound	Ct.	78.8	84.0	87.2	88.7	88.7	93.8	93.6	93.7	93.8
Dairy products (BLS)	1967=100	207.1	223.0	227.5	228.5	230.6	245.2	245.5	245.5	245.8
Retail prices (BLS):										
Consumer price index 5/	1967=100	211.5	239.8	242.5	244.9	246.8	260.5	263.2	265.1	266.8
All food 5/	1967=100	232.3	247.3	249.1	250.4	254.6	268.6	270.8	272.2	272.9
All dairy products 5/	1967=100	202.4	220.3	222.4	226.2	227.4	240.1	242.1	242.6	243.5
Fluid milk and cream	12/77=100	114.0	124.1	124.7	127.0	127.0	133.0	134.0	134.3	134.6
Whole milk	1967=100	186.5	204.0	204.9	208.5	208.4	218.2	219.3	219.9	220.4
Other	12/77=100	114.1	122.7	123.5	125.9	126.3	132.1	134.2	134.4	134.5
Manufactured dairy products	12/77=100	114.9	125.1	127.0	129.1	130.6	139.6	140.8	141.1	142.0
Butter	1967=100	196.6	218.3	219.9	222.2	228.0	242.7	242.2	243.0	244.3
Cheese	12/77=100	115.5	124.9	126.2	127.8	129.5	138.2	139.2	139.8	140.6
Frozen desserts	12/77=100	114.3	125.1	128.6	131.9	132.8	143.6	145.9	145.3	146.7
Other	12/77=100	111.9	121.6	124.0	126.1	126.4	133.3	134.5	135.1	135.7
Margarine	1967=100	236.7	248.8	247.9	246.1	249.7	256.9	256.8	255.7	256.1
Stocks, end of month:										
Creamery butter	Mil. lb.	218.2	217.2	238.1	281.7	---	332.1	372.3	407.4	445.2
Cheese, total 6/	Mil. lb.	463.0	497.7	520.5	557.0	---	719.6	724.3	734.5	819.5
Canned milk, unskimmed	Mil. lb.	68.4	76.5	88.8	106.1	---	42.8	37.9	40.5	54.0
Dry whole milk	Mil. lb.	5.8	6.1	4.4	4.8	---	6.6	4.8	3.9	4.0
Total whole milk equivalent 7/	Mil. lb.	9,006	9,276	9,953	11,254	---	13,806	14,688	15,506	17,148
Nonfat dry milk	Mil. lb.	518.1	445.3	482.3	507.7	---	579.0	599.4	633.0	636.9
Commercial disappearance:										
Creamery butter	Mil. lb.	70.7	88.8	47.7	54.2	878.8	66.3	49.5	74.2	70.8
Cheese, American	Mil. lb.	177.4	182.1	175.6	169.3	2,023.9	162.8	153.9	185.7	165.7
Cheese, other than American	Mil. lb.	141.9	154.0	141.8	140.2	1,827.9	141.7	138.5	153.5	148.5
Canned milk, unskimmed	Mil. lb.	51.6	58.7	54.6	48.2	732.5	64.4	58.1	56.6	50.8
Milk in all products	Mil. lb.	9,881	10,432	9,266	9,621	119,060	9,026	8,429	10,099	9,811
Nonfat dry milk	Mil. lb.	34.6	60.4	25.5	20.7	538.9	41.6	22.5	32.9	39.0
USDA net removals:										
Butter	Mil. lb.	13.6	4.0	51.8	60.8	257.0	51.6	49.3	42.5	46.7
Cheddar cheese	Mil. lb.	9/	22.6	23.7	37.7	349.7	31.9	43.5	57.5	70.1
Nonfat dry milk	Mil. lb.	21.3	26.2	59.6	89.7	634.3	55.4	60.7	73.5	87.4
Evaporated milk	Mil. lb.	1.9	.8	1.5	1.2	17.5	1.8	1.8	1.5	1.1
Total whole milk equivalent	Mil. lb.	284	307	1,306	1,630	8,800	1,385	1,451	1,450	1,660
Fluid sales, change from year earlier: 8/										
Whole milk	Pct.	-3.9	-4.2	-.42	-4.6	-3.5	-4.8	-5.2	-5.0	-4.5
Low-fat and skim milk	Pct.	+3.3	+4.4	+3.7	+4.7	+5.3	+3.5	+5.0	+5.7	+5.5
Total fluid milk	Pct.	-1.2	-.8	-.9	-.8	-.1	-1.3	-1.0	-.5	-.5
Cream and cream mixtures	Pct.	.2	+1.5	+1.9	+1.6	+2.0	-.4	-.1	+1.2	N.A.

1/ Seasonally adjusted prices as percentage of parity price.
2/ Different series than formerly published.
3/ Ice cream, ice milk, and sherbet.
4/ Includes manufactured products for which current monthly series are available.
5/ For all urban consumers starting January 1978.
6/ Natural, plus process American cheese held by CCC.
7/ Excludes cream and bulk condensed milk.
8/ Monthly data on daily average sales based on 46 Federal orders; annual data includes 47 F.O. and State marketing areas.
9/ Less than 50,000 pounds.
N.A. Not Available

COSTS OF THE DAIRY PRICE SUPPORT PROGRAM

by
David C. Hall[1]

ABSTRACT: This article discusses the basic cost concepts used in determining dairy price support program costs, the difference in the cost concepts, and how they are applied. Also discussed are certain aspects of dairy product sales and donations from the CCC inventories, and how these relate to the cost concepts used in determining program costs.

KEYWORDS: Dairy program costs, net expenditures, expenses.

In recent months, there has been considerable discussion about the cost of the dairy price support program. For example, for fiscal year 1980 (marketing year 1979/80) reported program costs ranged from $314 million to $1.3 billion. Actually both figures are correct depending on the cost concept used and whether one is referring to the cost of the dairy support program to the Commodity Credit Corporation (CCC), USDA, or to the Government as a whole. However, many do not know the procedures underlying these different cost concepts and resulting different amounts. This article discusses the various concepts used in determining the cost of the dairy price support program, and compares program costs in recent years under these concepts.

The dairy price support program is operated through the CCC which is a wholly Government-owned corporation established in 1933. There are a number of characteristics of the CCC operations of statutory origin that differ substantially from those found in commercial or other Government operations. In gaining an understanding of how the costs of the dairy price support program are determine, it is essential to know that two concepts are used. Each has a specific application.

The *first* of these concepts is net expenditures, which are basically cash outlays minus cash receipts. The major dairy program outlays by the CCC are for the purchase of dairy products, although payments for commercial storage, transportation, processing, and packaging are also included. Sales proceeds or transfers are, of course, receipts. The net expenditure is the basic concept used for the entire Federal budget. Note, that if outlays exceed receipts in a fiscal year, the Government is in a "deficit" position; a "surplus" exists if receipts exceed outlays.

The *second* concept is expense. Since the CCC is a corporate entity with commercial-type operations, it is required by law to submit a business-type budget. However, the CCC must also fit its budget into the processes used in fomulating the overall Federal budget. Under commercial accounting practices, purchases (which are cash outlays) are also asset acquisitions, but are not considered to be expenses until disposition of the asset (CCC inventory) is made. When disposition is made, whether for export or domestic use, the CCC computes the difference between what it paid to acquire the commodity (plus any packaging or processing) and what it received at the time of disposition. This amount, plus the cash spent for storage, handling, etc. that year, is the expense of program operations for a particular fiscal year. Note that the expense concept defines unrecoverable costs, whereas the net expenditure concept is basically a measure of cash flow.

The two concepts are related, but they cannot be interchanged with each other. Both concepts are used in budgeting for not only the dairy program, but all other commodity price support programs as well. One concept defines cash flow for Federal budgeting purposes; the other defines unrecoverable expense, which in the case of the CCC is the same thing as capital impairment. It is the unrecoverable expense that is the basis for the CCC's annual appropriation request to Congress--called "net realized losses." Without this restoration of capital, the CCC would soon exhaust its authority to borrow from the Treasury, which is the method for making all CCC program payments.

It is useful to examine the difference between the two concepts, recognizing that neither includes potential returns and costs of future years that will occur as a result of current year transactions. In other words, no attempt is made to offset current year net expenditures and realized losses by the value of inventory on hand. No generally accepted budgeting or accounting system does that, since future returns and costs can only be allocated as they occur. The unrecoverable expense of the dairy price support program in fiscal year 1980 was $314.5 million, while the CCC net expenditures were $1,011.1 million. The latter figure is the net amount of cash the CCC was required to borrow from the Treasury to make dairy product purchases and pay carrying charges on its inventories, after deducting sales proceeds received from domestic and export sale of dairy products. The comparable figures for fiscal year 1979 were $204.7 million in unrecoverable expense and $23.8 million in net expenditures, illustrating that expense can be greater than expenditures when new purchases are low in relation to dispositions.

All proceeds received from CCC sales of dairy products are credited to the price support program, whether these

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proceeds are from the commercial trade, other domestic users, importers, or other Federal agencies. Nonfat dry milk used in the foreign donations program (Title II of PL-480) also is a credit to the price support program, since funds for PL-480 are used to partially reimburse the CCC for the milk provided.

In connection with CCC sales of dairy products in general, four items need to be emphasized. First, proceeds are used as a measure of cash flow (net expenditure concept) and also as a basis for computing an offset to expense. For example, in fiscal year 1979 CCC received $243 million in sales proceeds for dairy products that cost $343 million to acquire. The $243 million is an offset to the price support program on a net expenditure basis. However, the transactions resulted in a net loss on sales of $100 million on an expense basis. Second, legislation in certain cases prevents the CCC from recovering its acquisition costs when sales are made. The Food and Agriculture Act of 1977 (7 U.S.C. 1733) provides that commodities made available to PL-480 from CCC price support inventories shall be valued at the export market price for purposes of reimbursing the CCC. This means that in fiscal year 1980, for example, nonfat dry milk valued at 76 cents per pound was sold to PL-480 for 16 cents per pound. Therefore, some PL-480 donations are charged to the price support program for the expense concept, since the CCC, by law, is not fully reimbursed. Thirdly, commodities made available to other Federal agencies—principally USDA's Food and Nutrition Service (FNS)—for ultimate use in domestic feeding programs are both sold and donated. To the extent the FNS has appropriated funds, that agency pays the CCC the full cost of the commodities, which is shown as an offset to the price support program. Fourth, policy considerations dictate that the CCC not sell any commodity in a manner that would disrupt market or price support operations.

When commodities are donated—i.e., made available to FNS and other approved domestic outlets without reimbursement to the CCC—the dispositions are an expense of the dairy program, even though used in other domestic programs. In most cases, the outlay was made in a previous year when the commodity was acquired by the CCC. To again record that donation as an outlay within the FNS budget would double-count the outlay. The original purchase outlay would have been required under the price support program without regard to whether other Federal programs utilized dairy products or not. In some years, CCC-owned dairy products are donated (rather than sold) to FNS under Section 416 as "bonus" items to prevent waste and deterioration. If the CCC had no dairy product inventories, the FNS program requirements would probably be filled by less expensive items such as margarine and imitation cheese.

Clearly, the "net expenditures" and "expense" concepts measure quite different things, and they must be used with care to be certain the correct relationship is shown. In addition, the level of Government at which the concepts are applied can make a difference—for example "net expenditures" by the USDA in fiscal 1980 for the dairy price support program were $1.3 billion (Dairy Situation, DS-383, December 1980, p. 22).

Table 16 illustrates and summarizes the foregoing discussion of the two basic concepts of determining the CCC dairy program costs that are generally required by procedures and regulations of the Office of Management and Budget and by the Treasury.

Table 16--CCC net realized losses (expense) and net expenditures for the dairy price support program, fiscal years 1979 and 1980

(thousands of dollars)

Item	Fiscal Year 1979		Fiscal Year 1980	
	Expense	Outlays	Expense	Outlays
Expense/Gross Outlay:				
Purchases	--	246,673	--	1,262,386
Storage and handling	10,357	10,357	13,831	13,831
Transportation	12,827	12,827	26,775	26,775
Processing and packaging	--	19,869	--	22,125
Sales (cost basis)	342,794	--	414,169	--
Donations (cost basis)	81,455	--	145,324	--
Other expense or outlays	144	144	105	105
SUBTOTAL	447,577	289,870	600,204	1,325,222
	Income	Receipts	Income	Receipts
Offsetting Income /Receipts:				
Proceeds from sales	-242,710	-242,710	-285,415	-285,415
Net Transfers to blended foods	--	-23,174	--	-28,445
Other income or receipts	-216	-216	-286	-286
SUBTOTAL	-242,926	-266,100	-285,701	-314,146
Net Realized Loss or Net Expenditure	204,651	23,770	314,503	1,011,076

Note: Expense items minus income items equal net realized loss (expense concept), and gross outlay items minus receipt items equal net expenditures (expenditure concept).

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LIST OF TABLES

Table		Page
1	Milk used and marketed by farmers, United States, specified years, 1965-80	7
2	Cash receipts from farm marketings of milk and cream, United States, by production regions, 1974-80	10
3	Use of market supply of milk, United States, 1970-80	14
4	Commercial disappearance: Total milk, annual and by quarters, 1979-81	16
5	Commercial disappearance: Selected dairy products, United States, annual 1970-80, quarters, 1980-81	17
6	Milk solids in all dairy products: Production and disposition, 1965-80	18
7	Dairy products: Per capita civilian consumption, selected products, United States, 1960-80	19
8	Milk and dairy product sales (domestic disappearance, commercial sources), total and per capita, United States, 1974-80	20
9	Per capita sales of selected fluid milk items, 1954-80	22
10	Sales of individual beverage milk products, United States, 1954-80	23
11	Sales of individual cream and specialty products, United States, 1954-80	24
12	Sales of individual fluid products as a proportion of average daily fluid sales, all Federal order markets, 1970, and 1975-80	26
13	Dairy products: U.S. Imports, quota and non-quota, total 1980, and January-April, 1980-81	28
14	Dairy products: U.S. imports, 1970-79	29
15	U.S. Dairy Situation at a Glance	32
16	CCC net realized losses (expense) and net expenditures for the dairy price support program, fiscal years 1979 and 1980	35